

**Buckinghamshire County Council**

# **Assurance and Risk Strategy - DRAFT**



**Our One Council Approach**

**Working together for Buckinghamshire**

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## Introduction

A new Assurance and Risk Strategy has been developed for Buckinghamshire County Council to fit with the new operating model and provide assurance across the organisation that objectives are being met and key risks are being managed.

The Assurance and Risk Strategy provides a comprehensive framework designed to support Members and Officers in ensuring that the Council is able to discharge its risk management responsibilities.

Good risk and opportunity management and the actual taking of understood risks in some cases are critical for Bucks County Council to enable innovation within the difficult financial landscape.

The assurance framework will provide structured and reliable evidence to Members and Officers to support the continuous effectiveness of operations and key activities, and will inform the Combined Assurance reports for the Business Units and the Council's Annual Governance Statement.

The benefits gained with an Assurance and Risk Strategy include improved strategic, operational and financial management, better decision making, improved compliance, improved customer service and better outcomes.

We embrace risk and opportunity management to support the successful achievement of our outcomes and to enable the provision of high quality services to the citizens of Buckinghamshire.

Chair of Regulatory and Audit Committee

Chief Executive

# 1: Aims and Objectives of Assurance and Risk Strategy

The Assurance and Risk Strategy will support the Council's Operating Framework, and aims to:



**'If you don't have effective risk management, you don't have effective management.'**

*Chance or Choice: Guidance on Effective Risk Management and Internal Control in Local Government (SOLACE/ZM, 2000)*

Our aim is to have an effective assurance framework supported by robust risk management at all levels across the organisation to encourage a less risk averse approach and enable innovation within the Business Units appropriate to the level of risks being taken.

Risk management is an integral part of good management and corporate governance and is therefore at the heart of what we do. It is essential to the Council's ability to deliver public services and as a custodian of public funds.

Risk Management is a useful tool for exploiting opportunities as well as safeguarding against potential threats, and acts as an early warning system.

The assurance framework is an important management tool which sets out the key processes, controls and measures in place that provide assurance over identified risks.

Key objectives:

- Embed risk and opportunity management into the culture of the Council and ensure that an appropriate assurance framework exists;
- Develop a balanced approach to managing the wide range of business risks facing the Council;
- Manage risk in accordance with legislation and best practice; and
- Establish a common understanding of the Council's expectations on risk management with partners, providers and contractors.



## 2: Roles and Responsibilities

Everything that we do as an organisation involves a degree of risk whether it is innovative projects, commissioning, determining priorities, or taking decisions. It is therefore an essential part of good governance that we manage these risks effectively. As such, the Council recognises that it is the responsibility of all members and officers to have due regard for risk in performing their duties, and that they should not be afraid of identifying a risk or feel that identifying a risk is a failure or that we should try to eliminate risk unduly.

To ensure risk management is effectively implemented, **all** BCC Members and officers should understand the Council's risk management approach and embed risk management as part of their day to day activities.

Who	Responsibilities include
Regulatory and Audit Committee (R&A)	Approve Assurance and Risk Strategy; receive regular reports on strategy (via Risk Management Group); receive reports on compliance with Operating Framework (exception basis). Receive reports on Assurance Frameworks.
Risk Management Group (RMG)	Oversee & challenge risk and assurance frameworks; receive updates on key risks & actions; receive assurances on effectiveness of risk management
One Council Board (OCB)	Identify, manage & monitor strategic risks; receive quarterly reports on compliance with Operating Framework from Director of Assurance.
Member and Officer Risk Management Champions	Assist with raising profile; promote strategy; ensure areas of concern to members/officers are raised appropriately through process.
HQ Assurance Function	Define Assurance and Risk Strategy, toolkit etc.; monitor & report on management of risks & escalate as required; report to OCB/RMG/R&A.  Monitor compliance with Operating Framework and report to OCB/R&A.
Professional Leads	Confirmation that the application of professional standards and Council policy is compliant in the design of controls within HQ/BUs; monitor compliance with Operating Framework and report regularly to Director of Assurance.
BU Managing Directors	Identify, manage & monitor risks within BU; report & escalate risks in accordance with strategy.  Monitor compliance with Operating Framework and report exceptions to relevant Professional Lead.
All members and officers	Manage risk effectively in their role & report risks/hazards as appropriate in accordance with procedures. Comply with Operating Framework and escalate exceptions appropriately

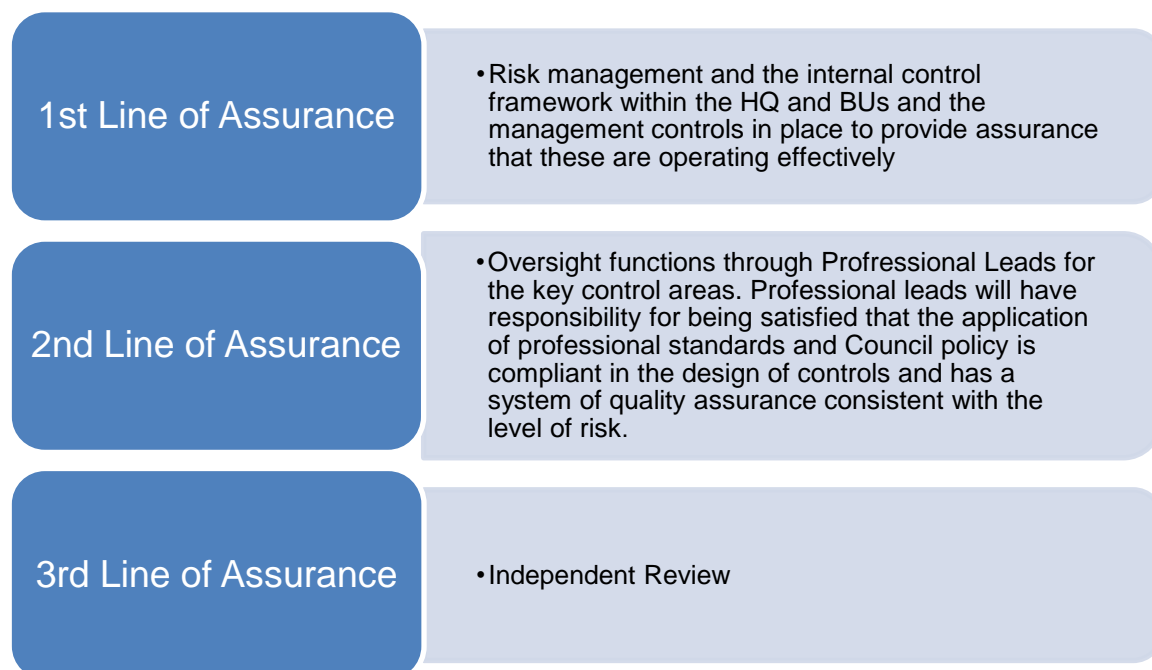
### 3. Assurance Framework

Sources of assurance provide confidence to responsible individuals that everything that needs to be done (operationally and strategically) is being done.

The purpose of the Assurance Framework is to create a clear view of the level of comfort each source of assurance provides on the effectiveness of key controls/processes. This will provide those charged with governance with the assurances required that key risks are being managed across the organisation.

The Assurance Framework will also provide an insight into areas where there are gaps in our assurance, the level of independence and where we are duplicating effort.

The Three Lines of Assurance is a model that provides a simple and effective way to enhance communications on risk management and control by clarifying essential roles and duties. It provides a fresh look at operations, helping to assure the on-going success of risk management initiatives, and it is appropriate for any organisation.

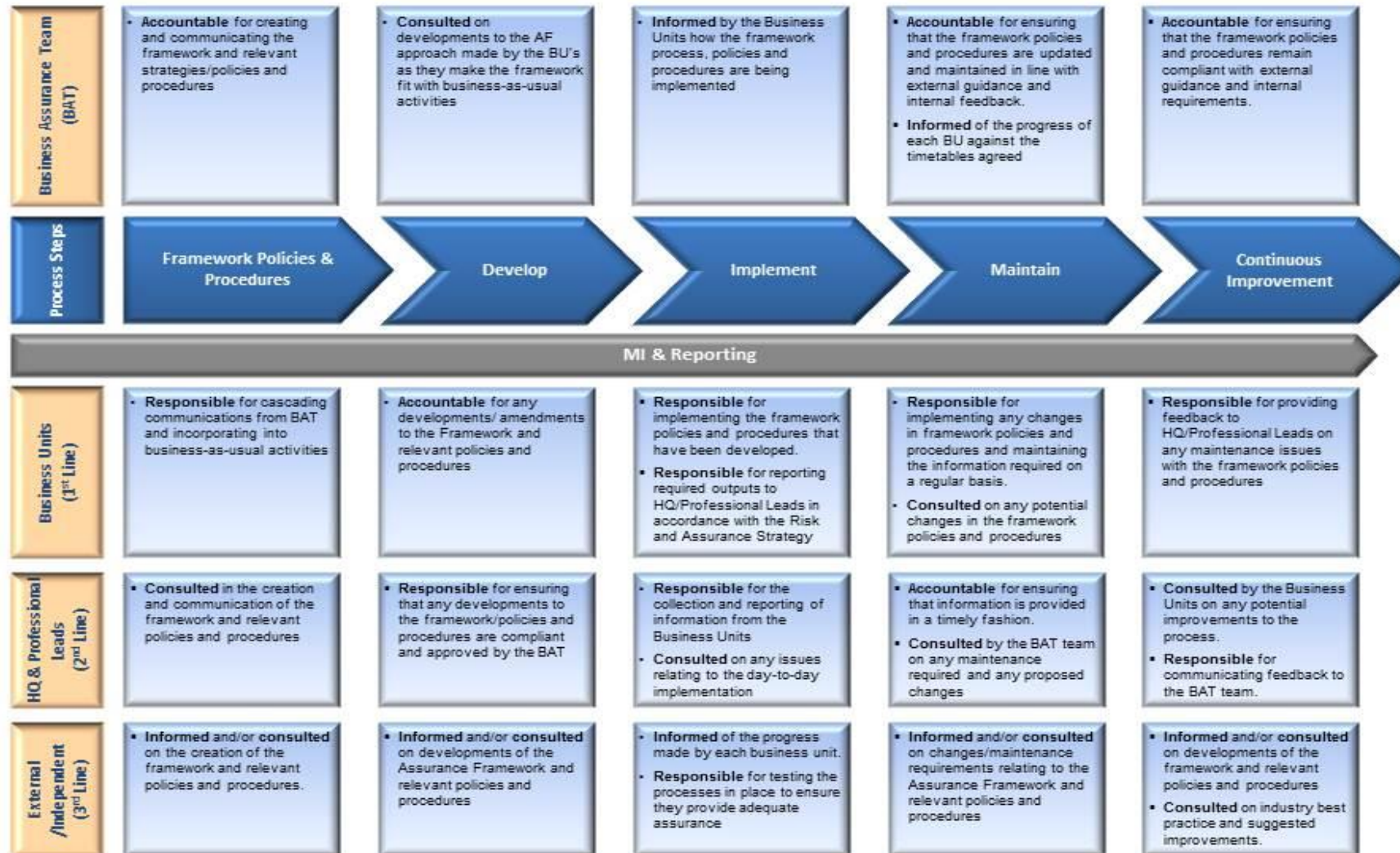


#### RACI approach

For each stage of the process roles and responsibilities have been assigned to the key groups involved using a RACI approach:

- **Responsible** – Required to perform a specific task or process.
- **Accountable** – Although not directly responsible for a task or process, they are held to accountable over its implementation/outcomes.
- **Consulted** – The opinions of the group/individual should be sought before a decision is made relating to the process/task. The reason for the consultation may be that the individual/group are key to the implementation/delivery of the process/task, or may possess specific knowledge that will allow us to develop a more effective solution.
- **Informed** – The group/individual have a specific interest in the process/task and should therefore be informed of any developments. There is however, no need to seek the group/individual's opinions before making decisions about the task/process.

## Assurance Framework – Process/Roles & Responsibilities





## 4: Levels of Assurance

### 1<sup>st</sup> Line of assurance – Management Controls

Assurance can be sourced from a variety of areas. They represent the activities that provide management with confidence that what needs to be done is being done. The following is a list of example sources of assurance:

**Management Review:** A review undertaken by managers or senior managers from within the Business Unit/team.

**KPI / Performance / Quality Reviews:** A check on associated products or services to ensure the performance and quality is being met. This could be done through inspections or data checking. KPIs are often set through SLAs or as part of a contract, which should be reported on at agreed intervals.

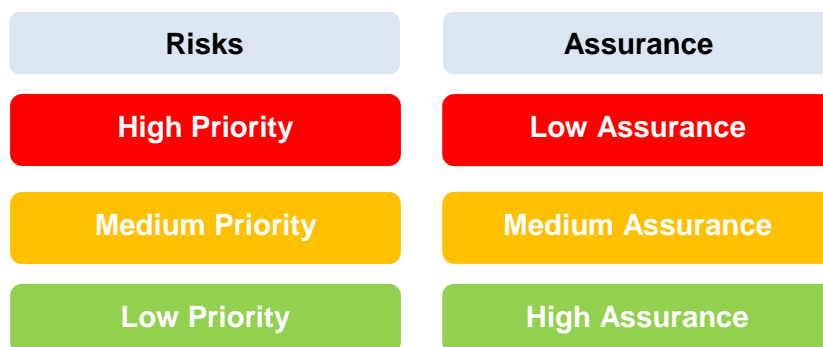
**Training:** Training staff to give them the skills necessary to provide an acceptable level of assurance.

**Contract T&Cs:** Holding contractors/customers to account by monitoring performance against their contract terms and conditions

**Self-Assessments:** Self review of work performed.

The list of sources of assurance should be dynamic, it should evolve as the Business Units and therefore the Assurance Framework evolves. New sources can be added or obsolete ones removed over time.

Sources of Assurance - 1st Line: MANAGEMENT							
Team Member Review	Management Review	KPI / Performance / Quality Review	Team Meeting	Training	Benchmarking	Contract T&Cs	Self Assessment
			High	Medium	Low		



A high assurance is when there is confidence that controls in place are good enough to prevent a risk from escalating.

## 2<sup>nd</sup> Line of Assurance – Professional Leads

The 2<sup>nd</sup> line of assurance is the corporate oversight of management activity across the key processes outlined in the Operating Framework.

This oversight provides valuable management insight into how well operations are being carried out in line with corporate policies.

Professional Leads have been identified for the following areas:



## 3<sup>rd</sup> Line of Assurance

Relates to independent and more objective assurances such as Internal/External Audit and other independent reviews.

## 5: Benefits of Risk Management

The current challenges facing local government means that now, more than ever, risks need to be identified effectively and managed carefully to mitigate adverse effects.

*“Risk arises as much from failing to capture opportunities, as it does from a threat that something bad will happen.”*

Through successful risk management, the identification and subsequent treatment of risks can help HQ and Business Units meet their objectives by demonstrating compliance, providing assurance, informing decision making and enabling value for money.



Successful risk management does not end with identifying and recording your risks. Robust Risk Management means regularly reviewing and managing your risks.

Whatever your risk appetite (see section 6) it is important to ensure that you have a balanced approach to Risk Management. Over controlling can be as detrimental to success as under controlling:

## 6: Risk Definitions and Methodology

- Risk - 'the effect of uncertainty on objectives'\*
- Risk Management - 'a coordinated set of activities and methods that is used to direct an organisation and to control the many risks that can affect its ability to achieve objectives'\*

*"Risk management is as much about exploiting potential opportunities as preventing potential problems."*

\*Source ISO 31000 'Risk Management – Principles and guidelines.

### Risk Appetite

It is important to recognise your risk appetite. Once it is properly understood and clearly defined, it can become a powerful tool to help you take measured risks and improve overall performance and decision making. The Council's risks appetite is determined by individual circumstances. In general terms, the Council's approach to providing services is to be innovative and to seek continuous improvement within a framework of robust corporate governance

Our aim is to have robust risk management at all levels across the organisation to encourage a less risk averse and more risk cautious/risk aware approach. This should enable innovation and opportunities to be taken within the Business Units whilst managing and addressing the barriers to success.

An organisation constantly erring on the side of caution (or one that has a risk-averse culture) is one that is likely to stifle creativity and not necessarily encouraging innovation, nor seek to exploit opportunities.

The attitude towards risk will differ across the Business Units, from risk averse to risk aware. For example the Council's appetite for risk on matters of compliance with the law or safeguarding areas will be much lower.

If managers are risk hungry and running the business with insufficient guidance on the levels of risk that are legitimate for them to take, they may over extend into territory where the Council cannot afford the possible consequences or not achieve the Council's priorities.



#### Averse

Preference for safe business delivery options that have a low degree of inherent risk and only a potential for limited reward.



#### Cautious

Preference for safe delivery options that have a medium degree of residual risk and may only have limited potential for reward.



#### Aware

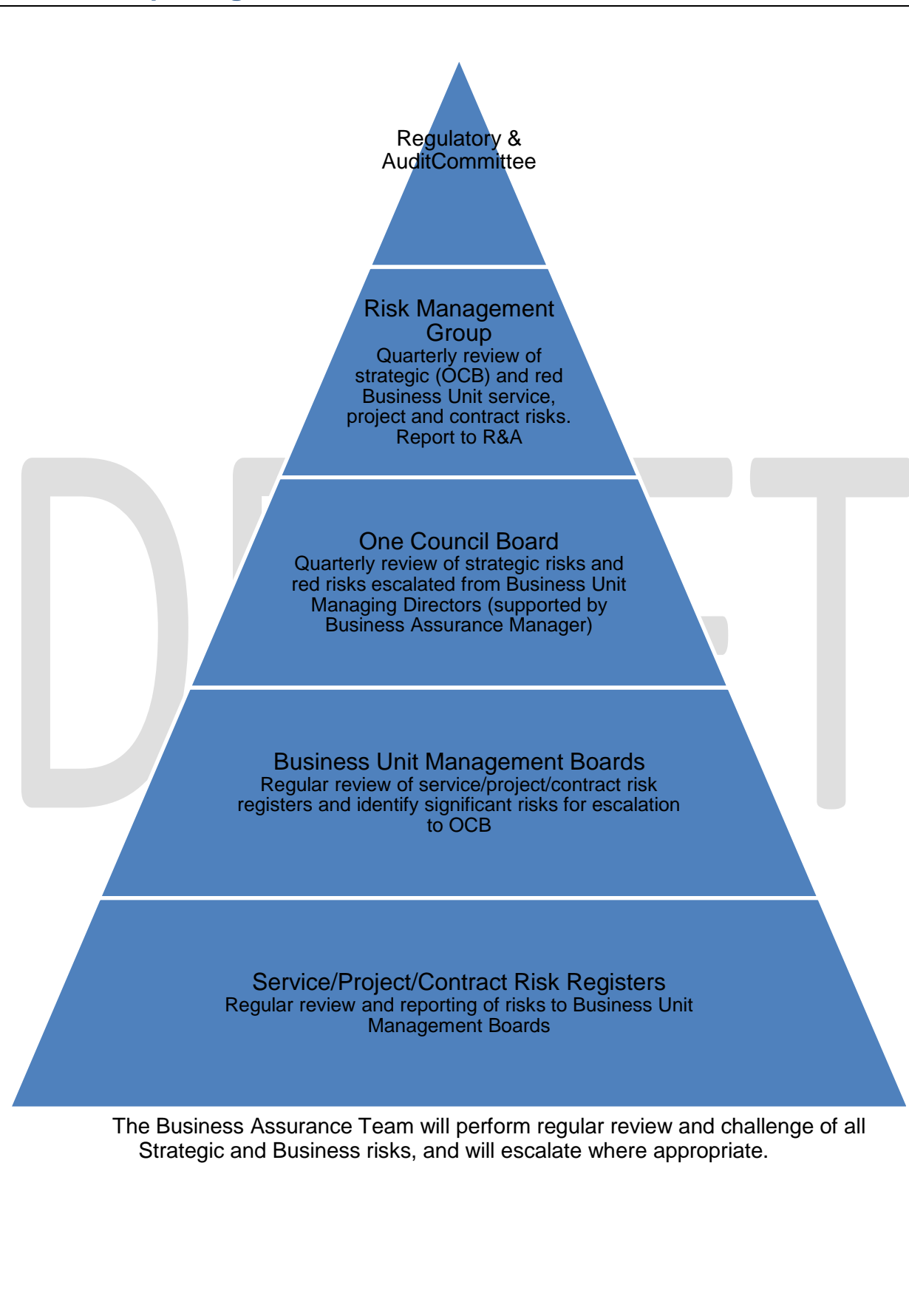
Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing a good level of reward



#### Hungry

Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk.

## 7: Risk Reporting and Escalation



## 8: Culture, Awareness and Training

To ensure risk management is effectively implemented, all BCC Members and officers should have a level of understanding of the Council's risk management approach and regard risk management as part of their responsibilities. Managing risk should be firmly embedded in everyone's thinking, behaviours and actions.

Having developed a robust approach and established clear roles and responsibilities and reporting lines, it is important to provide Members and officers with the knowledge and skills necessary to enable them to manage risk effectively.

A range of training methods are being developed to meet the needs of the organisation and include:

- Formal risk management training
- E-learning
- Risk workshops

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## 9: Glossary and Further Information

Activity	A step or function which is part of a process that needs to be undertaken
Assurance	Provides confidence, evidence, certainty to managers, directors, members that what needs to be done (operationally and strategically) is being done
Assurance Framework	A tool used to keep a log of risks with controls/measures in place that provide assurance over the risk
Combined Assurance	An overview of the level of assurance provided by all three levels of assurance
Controls	A mechanism in place to detect or prevent errors, for example a manager review of a month end report would represent a control designed to detect errors or impropriety.
Inherit Risk	A level of risk associated with an activity before any controls are put in place to mitigate that risk.
Lines of Assurance	A model that provides a simple and effective way to enhance communications on risk management and control by clarifying essential roles and duties. The three possible lines of assurance are as follows: <ul style="list-style-type: none"> <li>• 1<sup>st</sup> Line - Management control</li> <li>• 2<sup>nd</sup> Line – Corporate (internal) oversight</li> <li>• 3<sup>rd</sup> Line – External party review</li> </ul>
RACI	A method of assigning roles in a process to a group/individual. The acronym is as follows <ul style="list-style-type: none"> <li>• Responsible</li> <li>• Accountable</li> <li>• Consulted</li> <li>• Informed</li> </ul> Additional detail on this can be found in section 3
RAG	Red, Amber, Green – To be able to identify the severity of risk using a colour coded (traffic light) system. RAG is different for risks and assurance.  Risks: Red – High level risk, Amber – Medium level risk, Green – Low level risk  Assurance: Red – Low level assurance, Amber – Medium Level assurance, Green – High level assurance
Residual Risk	A level of risk associated with an activity after any controls are considered

Risk	A probability of threat to an activity, process, project or business which can cause harm and cause disrepute to the organisation
Sources of Assurance	<p>A variety of activities that provide mangers confidence that what is needed is being done. Sources of assurance differ from controls as they consider the application and context of the management activity.</p> <p>For example, project performance is measured each month against a set of KPIs. A report is prepared at the end of the month and passed to a manager for review. The control is clearly being observed and therefore the control can be said to be working. However, the KPIs the report measures against are out of date and are no longer relevant. This means that although the control is working, the level of comfort/assurance it offers is low.</p>

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