



---

# **Shared Risk and Opportunities Management Strategy**

## **2016/17**

<b>CONTENTS</b>		
<b>Section 1</b>	<b>Introduction</b>	<b>Page 3</b>
1.1	An overview of Risk Management	3
1.2	Benefits of Risk Management	3
1.3	Strategy Objectives	4
1.4	Risk Appetite	4
1.5	Embedding Risk Management	5
<b>Section 2</b>	<b>Risk Management Processes</b>	<b>6</b>
2.1	The Risk Management Process	6
2.2	Identifying Risk & Opportunity	6-9
2.3	Assessing Risk	9-10
2.4	Managing and Controlling Risk	10-11
2.5	Reviewing and Reporting on Risk	11
2.6	Linking risk to business plans and performance	12
2.7	Linking risk to programmes and projects	12-13
<b>Section 3</b>	<b>Roles and Responsibilities</b>	<b>14</b>
3.1	Accountability	14
3.2	Council Committees	14-15
3.3	Section 151 Officer	15
3.4	Joint Management Team	15
3.5	Corporate Performance & Insight Team	15
3.6	Team Managers, Officers and Staff	16
3.7	The Performance and Risk Working Group	16
<b>Section 4</b>	<b>Monitoring and Review</b>	<b>16</b>
4.1	Annual Review of the Risk Strategy	16
4.2	Quarterly Monitoring of the Strategy and Register	16
4.3	Internal Audit	17
4.4	External Audit and Review	17
<b>Section 5</b>	<b>Corporate Governance</b>	<b>18</b>
5.1	Annual Governance Statement	18
5.2	Statements of Assurance	18-19
<b>Section 6</b>	<b>Contacts and Further Guidance</b>	<b>19</b>
6.1	Contacts	19
6.2	Supporting Documents / Guidance	19

## Section 1: Introduction

### 1.1 An overview of Risk Management

This strategy outlines the overall approach to risk and opportunities management for Cherwell District and South Northamptonshire councils.

The fundamental aim of the risk management strategy is to help both councils identify and manage risk especially with regards to those risks (both financial and non-financial) that pose a threat in terms of the organisations meeting their objectives, but also in terms of risks that have an impact on the operation of the business or may impact on services, programmes or projects.

Risk management is recognised as being concerned with both the positive and negative aspects of risk; that is to say opportunities as well as threats. This strategy therefore applies to risk from both perspectives.

Risk, can therefore be defined as:

“an uncertain event or set of events that, should it occur will have an effect (positive or negative) on the achievement of the councils’ objectives, performing its duties or meeting the expectations of its stakeholders”

Both organisations are aware that risks will always arise and most risks can not be fully eliminated, only managed to an acceptable level. Within this context the councils’ are committed to managing risk in order to reduce the impact on the organisations their priorities and on service provision.

Risk management will be embedded within the daily operations of the councils, from strategy and policy formulation through to business planning and general management processes. It will also be applied where the councils work in partnership with other organisations, to ensure that partnership risks are identified and managed appropriately.

Through understanding risks, decision-makers (councillors and managers) will be better able to evaluate the impact of a particular decision or action on the achievement of the councils’ objectives.

### 1.2 Benefits of Risk Management

Effective risk management is an important part of corporate governance and performance management. It adds value by:

- raising awareness of significant risks with priority ranking assisting in the efficient control of the risks
- allocating responsibility and accountability for risks and associated controls and any actions required to improve controls
- aiding the process of strategic and business planning
- identifying new opportunities and supporting innovation
- providing a framework for the for the effective management of significant risks
- aiding effective partnership working, particularly in terms of identifying shared risks

### 1.3 Strategy Objectives

The objectives of the Risk and Opportunities Management Strategy are to:

- maintain a register that identifies, assesses and ranks all significant risks and opportunities facing both councils, which will assist the councils in achieving their objectives through pro-active risk management
- rate all significant risks in terms of likelihood of occurrence and potential impact upon the councils and ensure effective controls are in place to mitigate significant risks
- allocate clear roles, responsibilities and accountability for risk management
- facilitate compliance with best practice in corporate governance, which will support the Annual Governance Statements (issued with the annual statement of accounts)
- raise awareness of the principles and benefits involved in the risk management process, and to obtain staff and Member commitment to the principles of risk management and control
- ensure that good quality risk information is provided to senior managers and Members (link to the data quality strategy)
- Provide a framework for assurance, that is that the controls identified to mitigate a risk are operating effectively

### 1.4 Risk Appetite

Risk management should not focus upon risk avoidance, but on the identification and management of an acceptable level of risk. Both councils' aim to proactively identify, understand and manage the risks inherent in services and associated with plans, policies and strategies, so as to support responsible, informed risk taking and as a consequence, aim to achieve measurable value. The councils provide for a supportive culture but will not support reckless risk taking.

As such, both Cherwell District and South Northamptonshire Councils will use risk management to add value. They will aim to achieve a balance between under-managing risks (i.e. being unaware of risks and therefore having little or no control over them), and over-managing them (i.e. a resource heavy and bureaucratic level of management and control which could stifle innovation and creativity).

Appropriately managed and controlled risk-taking and innovation will be encouraged where it supports the delivery of the councils' objectives and priorities.

## 1.5 Embedding Risk Management

Risk Management is a standing item on the Joint Management Team agenda and ensures that identification and consideration of risk corporately and across services is emphasised and highlighted regularly. The SNC Audit Committee and the CDC Accounts, Audit and Risk Committee receive quarterly risk management updates and review the strategic risk register annually. This scrutiny of risk ensures there is senior officer level and political commitment to effective risk management.

The inclusion of risk registers within service plans and risk logs in key programmes and projects seeks to reinforce the importance of assessing and being aware of the risks associated with each service and major projects. Key risk management activities should be included within service plans and progress monitored. As such the integration of risk into business planning, corporate objectives and performance management is an essential part of the drive to embed risk management.

Activities such as training, communication and clear risk management support arrangements help to embed risk. The following summarises key activities undertaken to ensure risk management is embedded across the councils.

1. A quarterly process of risk review covering both the strategic and operational risk registers is presented to relevant council committees to ensure Councillors have good access to risk information
2. Risk management awareness training sessions will be facilitated for Councillors and employees. Members of the committees with specific responsibility for the management of risk will be offered dedicated training events. The potential of risk management awareness to be included on induction programmes will be explored.
3. An internal audit of risk management will take place annually.
4. The Joint Management Team takes responsibility for ensuring that management actions highlighted in the risk registers are implemented.
5. Support is available to risk owners when assessing new risks. The 'bow tie' risk analysis model is available to use as part of the process.
6. A process of annual review is undertaken by the Joint Management Team to ensure the risk register remains up to date and that obsolete risks are removed.
7. Officer working groups as required to embed, review or develop risk practices.
8. The councils will seek to learn from other organisations where appropriate, and to keep up to date with best practice in risk management.

## Section 2: Risk Management Processes

### 2.1 The Risk Management Process

Risk Management follows a four stage process. Identifying risks, assessing risks, managing and controlling risks and reviewing and reporting risks.



Each of these four stages is set out in more detail (paragraphs 2.2 - 2.5) and in the accompanying risk management handbook.

The most significant feature of this process is that risk management is seen as a comprehensive management process that helps both organisations meet their objectives and avoid issues, losses and situations that could result in failing to meet strategic priorities, failure of corporate systems or failure of significant partnerships, services, programmes and projects.

To ensure this process is effectively undertaken the councils maintain and review a register of their strategic, corporate and partnership risks and opportunities and where possible link them to strategic business objectives. Ownership is assigned for each risk. The Joint Management Team identifies risks and reviews the register and both councils have committees that also undertake a monitoring and oversight role.

### 2.2 Identifying Risk and Opportunity

The process of identifying risk is both formal (as part of business and project planning – Strategic/Corporate/Partnership)) and also informal, as part of everyday activity (Operational). This section sets out the organisational process for identifying risk, however it must also be recognised that Members and staff should be risk aware and as such may identify, assess and add a risk to the register at any time.

For each risk identified the following should be considered:

- An assessment of each risk for its likelihood and impact
- The identification of mitigating (key) controls currently in place
- The assurances on the key controls that have already been established
- Gaps in keys controls
- Gaps in assurance
- Appropriate management actions and allocation of responsibility for the implementation of further mitigating management action and (where possible) an implementation date

For each opportunity identified the following should be considered established:

- Details of the opportunity identified
- Allocation of responsibility for the opportunity
- Any additional risks that this opportunity raises (including financial)
- Actions necessary to make use of the opportunity and mitigate risks, if appropriate.

#### **Identifying different types of risk:**

**Strategic Risks:** defined as those that are significant in size and duration that will impact on the reputation and performance of the councils' as a whole and in particular on its ability to deliver their strategic priorities.

**Corporate Risks:** risks that apply to corporate systems or processes that underpin the organisations' overall governance, operation and ability to deliver services.

**Partnership Risks:** risks that apply to a significant partnership meeting its objectives or delivering agreed services/ projects.

Taken together strategic, corporate and partnership risks form the basis of both councils' strategic risk registers. Generally these risks are owned by a JMT member but on occasion may be devolved to a senior manager to oversee.

These core risks will be fully reviewed by JMT on an annual basis in the fourth quarter as part of the business planning process for the forthcoming year and provides a clear opportunity to identify new risks and opportunities. The result of this discussion will also be considered by the relevant council committees. At any point in the year JMT and council committees may identify new risks. If this is the case the risk assessment method is followed and the corporate performance team adds the risk to the register.

### **Operational / Service Risks**

Operational risks should be identified and owned by the service management team, led by the head of service. The annual service planning process provides an opportunity to fully review all current operational risks and delete risks that are no longer relevant and identify any new risks. However, the identification of risk is not limited to a single point in the year and new risks may be added at any time.

The corporate performance team is able to support services by running risk workshops as required. Performance and risk champions in service areas may also help to identify risks and directors should encourage heads of service to identify and manage operational risks by reviewing risks at departmental/directorate management team meetings (it is recommended that risk and performance are reviewed at the departmental level on at least a quarterly basis and that new risks are considered as part of this process).

### **Programme / Project Risks**

Risk management should be incorporated into programme and project management right from the outset. The size and scope of the project will dictate the best way of managing the risks. However, all programmes/projects must undertake full risk assessments.

All significant programmes and projects should use a risk log which will be managed by the programme/project manager and reviewed by the relevant board.

For programme and projects which are likely to have an impact on the councils' ability to meet its strategic objectives or have a budgetary impact of over £100,000 the additional requirements are in place:

- The high level risk and its controls will be recorded and managed through the councils' strategic risk register. Detailed risks associated with the programme/project will be recorded in its risk log.
- Risk should be a frequent item on each programme/project board meeting to review existing risks and the effectiveness of their controls and to identify any new risks.
- Risk management in programmes and projects will be supported as necessary by the Programme Manager and the Corporate Performance manager.

For minor projects (low value or single service based) a risk log should still be maintained as part of good project management. However, it is unlikely that the project risks will appear on the councils' strategic risk register unless they have the potential to have significant reputational, health and safety or service provision risks, or the potential loss could exceed £100,000. If this is the case then the approach set out above with regards to significant programme / project risks should be followed.



## Shared risks

A risk can be described as shared when it has an impact on both organisations' priorities/services (although it may not be an equal impact), when both organisations must work together to mitigate and control it or when it is escalated to a joint service or programme/project. If a risk is identified as shared it will appear on both councils' risk registers.

## 2.3 Assessing Risk

Once a risk has been identified (of any type, strategic, operational or project) it needs to be assessed. The assessment process considers the likelihood that the risk may occur and its potential impact. This allows for risks to be ranked and prioritised, as not all risks represent equal significance to the councils.

The councils' use a risk scoring matrix to work out the inherent risk score (likelihood' times the 'impact'). The inherent risk score helps to make decisions about the significance of risks to the organisations, how they will be managed, the controls required and the treatment of the risk.

The owner of the risk undertakes this assessment. For strategic risk this is checked by the corporate performance team, for programme/ project risks by the relevant board and for operational risk by the Head of Service.

		Likelihood				
		Remote 1	Unlikely 2	Possible 3	Probable 4	Highly Probable 5
Impact	5 Catastrophic	5 =	10 ↑	15 ↑	20 ↑↑	25 ↑↑
	4 Major	4 =	8 ↑	12 ↑	16 ↑↑	20 ↑↑
	3 Moderate	3 =	6 =	9 ↑	12 ↑	15 ↑
	2 Minor	2 =	4 =	6 =	8 ↑	10 ↑
	1 Insignificant	1 =	2 =	3 =	4 =	5 =

*NB inherent risk is sometimes referred to as gross risk.*

The risk management process guide and 'new risk template' explain in greater detail what makes up the likelihood and impact scores.

The inherent risk score will determine how the risk is controlled and managed with treatment, toleration, transfer and terminate the main options (2.4 refers).

Once controls and actions to mitigate the risk have been identified a net risk score should be assessed. The inherent and net risk scores, along with the controls and actions then form the basis of the quarterly review.

## Organisational risk profile

Once strategic risks and mitigating controls/actions have been assessed the results are then plotted on a risk matrix which is included as part of the strategic risk register. Service/projects risks may be plotted in a similar way if required.

## Sources of additional information

To support the assessment of risk there is a simple risk management guide, a template to set up the risk, and a risk analysis tool (the risk bow tie) that can be used in groups or individually to help assess the nature and impact of the risk. The corporate performance team will also provide support as required.

## 2.4 Managing and Controlling Risk

Once risks have been identified and assessed, the next step is to control and manage them. This will involve the consideration of cost-effective action, which is aimed to reduce the inherent risk rating. These management actions should be focussed on gaps in terms of risk controls and assurance.

The proposed action(s) to control the risk will then be mapped against the specified risk together with an implementation date, and a named person will be designated as responsible for 'owning' the risk. The 'net' risk rating is the assessment of the risk after these controls/actions have been put in place.

These actions/controls should be included in risk documentation and/or service plans. Where a risk is associated with a programme or project it should be entered into the relevant risk log.

Managing risk is an on-going process and the commentary provided as part of the quarterly risk review process should reflect the activity taken within the quarter to control the risk.

### The Four T's

The level of the inherent risk will help determine the best treatment for a risk, whether strategic or operational. The risk owner has a number of options:

**Tolerate:** The councils' may tolerate a risk where:-

- The risk opens up greater benefits
- These risks must be monitored and contingency plans should be put in place in case the risks occur.
- The risk is effectively mitigated by controls, even if it's high risk
- The risk cannot be mitigated cost effectively

**Treat:** This is the most widely used approach

The purpose of treating a risk is to continue with the activity which gives rise to the risk, but to bring the risk to an acceptable level by taking action to control it through either containment actions (these lessen the likelihood or consequences of a risk and are applied before the risk materialises) or contingency actions (these are put into action after the risk has happened, reducing the impact. These must be pre-planned).

**Terminate:** Doing things differently and therefore removing the risk.

This is particularly important in terms of project risk, but is often severely limited in terms of the strategic risks of an organisation.

**Transfer:** Transferring some aspects of the risk to a third party.

For example via insurance, or by paying a third party to take the risk in another way. This option is particularly good for mitigating financial risks, or risks to assets. However it is a limited option – very few strategic risks are insurable and only around 15 -20% of operational risks can be insured against.

## 2.5 Reviewing and Reporting on Risk

As a minimum a quarterly process of reviewing and reporting on risk will be undertaken and where necessary the risk will be reviewed more frequently. This review involves consideration of all significant risks facing both councils, with risks broken down into strategic, which could impact on the achievement of council objectives, corporate risks which could impact across more than one service, and significant partnership risks.

The review should focus on four key factors:

1. whether there are any changes to the inherent/residual risk scores
2. whether new controls or actions are required
3. to what extent are there any gaps in the assurance of identified controls
4. whether the risk is still relevant

Operational/service risks and programme/project risks will be monitored and reviewed locally, on a quarterly basis. Operational/service risks will be health checked by the corporate performance team at least twice a year. Programme and project risks will be owned and reviewed by the relevant board.

All risks will be clearly defined together with the controls that currently exist to manage them. Risk ratings will be reviewed and where relevant commentary to identify progress against planned action or any emerging issues.

It is important that the internal systems and procedures in place are adequate to manage the identified risk. Where control weaknesses are identified, these should be noted so that action can be taken to remedy such weaknesses. Action to address these weaknesses should be included within the report.

## **2.6 Linking risk to business plans and performance**

### **Linking Strategic Risk to Council Business Plans**

The Strategic Risk and Opportunities Register is owned and monitored by JMT and managed by the corporate performance team. Where appropriate risks will be associated with council priorities and objectives (n.b. the priorities of one or both councils). On occasion a risk may sit outside a council priority, for example where it affects all priorities or has whole organisation impact (e.g. the risk of systems failure).

### **Incorporating Operational Risk into Service Plans**

Each service is required to produce a service plan on an annual basis. The format of the service plan is common across the two councils and ensures there are clear links between council priorities and objectives and service deliverables.

Each service plan is required to identify operational risks associated with service delivery and ideally they should be directly linked to service priorities. Likewise actions to control risks should be included within the service plan or the risk documentation itself.

Responsibility for monitoring operational risk lies with the Head of Service and service managers.

### **Integrating Risk and Performance Management**

Performance and risk will follow the same quarterly monitoring regime and performance risks will be clearly highlighted in reports. Where possible risk monitoring information will be captured using the same process as performance information.

## **2.7 Linking risk to programmes and projects**

Programme and projects adhere to the agreed corporate risk management strategy. It is recognised that the risk environment is different within programmes and projects and frequently risks are identified, actioned and closed on a faster basis than within the strategic risk environment where risks are linked into longer term strategic objectives rather than projects moving within shorter delivery timescales.

Programme or project risks may be escalated to the strategic risk register if they reach a point where they have a significant financial, reputational or strategic impact.

## Risk Management responsibilities in project environments

Corporate Management (JMT)	Responsible for providing and ensuring adherence to the Corporate Risk and Opportunity Strategy
Programme Senior Responsible Owner	Accountable for risk management actions agreed at Programme Board level, following escalation from projects
Director	Accountable for risk management actions agreed at DMT following escalation from project within the Directorate
Project Sponsor	<ul style="list-style-type: none"> <li>• Accountable for all risk management within the project, and for putting in place a risk management approach or strategy specific to the project</li> <li>• Ensures all risks associated with the project business case are identified, assessed and controlled</li> <li>• Triggers an escalation</li> </ul>
Senior user/customer/client board member	Responsible for ensuring all risks to users are identified, assessed and controlled
Senior supplier board member	Responsible for ensuring all risks to delivery are identified, assessed and controlled
Project Manager	<ul style="list-style-type: none"> <li>• Creates the project-specific risk management approach as directed by the sponsor</li> <li>• Responsible for creating and maintaining the risk register in line with requirements of the Corporate Risk and Opportunity Strategy, ensuring risk identification, assessment and control measures are implemented.</li> </ul>

## Section 3: Roles and Responsibilities

### 3.1 Accountability

There will be clear accountability for risks and risk management. This is supported through each councils' Annual Governance Statement signed by the Chief Executive and the Leader of the Council, and by making both councils' risks and risk management process open to regular Member overview, internal audit and external inspections.

The overall responsibility for the effective management of risks rests with full council (at CDC and SNC) and the SNC Cabinet/CDC Executive (lead member/portfolio holder) as advised by its senior management. The overall risk champions at each council are the Director of Resources (as the Joint Management Team lead) and the Chairman of the SNC Audit Committee and the CDC Accounts, Audit and Risk Committee.

The CDC Accounts, Audit and Risk Committee and the SNC Audit Committee have specific responsibility for monitoring the councils' risk management arrangements, for undertaking an annual review of this strategy to ensure it remains current and up to date and reflects current best practice in risk management, and for making recommendations to the Cabinet/Executive if it is considered that any improvements or amendments are required.

CDC Executive Members and SNC Portfolio Holders will be briefed regularly by Heads of Service to ensure they are aware of significant risks affecting their service areas/portfolios and any improvements in controls which are proposed.

Sections 3.2 and 3.3 of this strategy outline specific Councillor and Officer accountabilities and responsibilities with regards to risk management.

### 3.2 Council Committees

#### **Audit Committee (South Northamptonshire Council)**

The committee will monitor the effective development and operation of the council's risk management, including consideration of the risk register. The committee provides independent assurance to the Council on the effectiveness of risk management and internal control arrangements and performance effectiveness to the extent it affects exposure to risk and to inform the Annual Governance Statement.

#### **Accounts, Audit and Risk Committee (Cherwell District Council)**

The committee will ensure that corporate governance arrangements (including risk) are in place, they consider the statement of assurance and monitor the effectiveness of risk management. The committee also commissions the risk management strategy and endorses it for Executive to adopt.

### **Cabinet (South Northamptonshire District Council)**

The South Northamptonshire Cabinet will receive a quarterly update on risks in relation to performance as part of the performance exceptions report.

### **Executive (Cherwell District Council)**

The Cherwell District Council Executive will receive a quarterly update on risk where it relates to performance matters as part of the performance report.

Reflecting the roles of these committees the relevant Chairmen, Lead Members (CDC) and Portfolio Holders (SNC) will be briefed on risk matters and act as risk champions where appropriate.

## **3.3 Section 151 Officer**

The councils' Section 151 Officer is the lead officer for risk management and ensures that the councils' have robust risk management strategies in place that effectively support the system of internal control.

## **3.4 Joint Management Team**

The Joint Management Team has a number of roles with regards to risk management. As the senior management team they are likely to own many of the strategic risks on the councils' risk registers. As such they are responsible for risk review and monitoring, and as part of the performance management framework they review the strategic risk register on a quarterly basis.

JMT also have a role in identifying and highlighting new risks and working with the Corporate Performance Team to ensure they are assessed, recorded and managed.

## **3.5 Corporate Performance & Insight Team**

The Corporate Performance & Insight Team is responsible for preparing and updating the risk management strategy, for compiling and managing the strategic risk register (including preparing quarterly reports) and for ensuring operational risk management is undertaken by services and as part of programme and project management. The team researches risk best practice and helps the councils' set theirs.

In addition the team provides risk related support to managers, officer and councillors (through officers groups and risk management training) and helps prepare the Annual Governance Statement.

### **3.6 Team Managers, Officers and Staff**

Service managers and team leaders will often be responsible for operational and project risks. This includes risk identification, assessment and management. At this level risks should be included in service and project plans. For some projects a separate risk log will be required.

In some cases JMT members may devolve the day to day responsibility for managing a strategic, corporate or partnership risk to a service manager. If this is the case the manager will be expected to update the strategic risk register on a quarterly basis.

Staff without direct responsibility for owning and managing a risk still have an essential role to play in helping teams identify potential risks associated with service delivery and implementation of projects. As such staff should be involved in risk discussions within teams as they would be with regards to performance management.

### **3.7 The Risk Management Working Group**

A Risk Management Working Group will be established to support risk management both strategically and operationally. This group will identify new risks, review existing risks and act as a champion for risk management across both Councils, and will include representation from each directorate.

## **Section 4: Monitoring and Review**

### **4.1 Annual Review of the Risk Strategy**

The Risk and Opportunities Management Strategy will be reviewed on an annual basis and this review will take into account any issues highlighted by the internal audit of risk management. In addition the strategic risk register will be fully reviewed by the Joint Management Team during the fourth quarter and as part of the annual service planning process managers will be asked to fully review their operational risks.

### **4.2 Quarterly Monitoring of the Strategy and Register**

As part of the risk and opportunities management process it is expected that risks (whether strategic or operational) are reviewed on a quarterly basis.

A quarterly report will be taken to the Accounts, Audit and Risk Committee (Cherwell District Council) and the Audit Committee (South Northamptonshire Council) providing a summary of this quarterly review and in addition highlighting any issues arising with regards to the implementation of or compliance with the Risk Strategy. The review will include commentary regarding the current risk score, the controls in place and whether any gaps have been identified in terms of the assurance that the controls are effective.



### 4.3 Internal Audit

Internal Audit will be in a position to provide assurance on the internal control environment, in line with their planned programme of work. Internal Audit will plan the annual audit coverage based on a risk assessment, and on the levels of assurance that can be obtained from other assurance providers. The Code of Practice for Internal Audit in Local Government in the United Kingdom defines Internal Audit as;

‘An assurance function that primarily provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control and governance by evaluating its effectiveness in achieving the organisations objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources’.

It is envisaged that Internal Audit and Risk Management will co-ordinate assurance by:

- Independently reviewing the risk management strategy and process.
- Completing risk based reviews of the key controls identified to mitigate the principal risk to the councils’ achievement of their strategic objectives.
- Referring to the councils’ risk registers when planning audit work.

### 4.4 External Audit and Review

#### External Audit

External Audit is a key source of assurance and both councils should take into account the external audit management letter and reports. However, it is worth noting that the work of external audit has to be independent and the councils should not rely on external audit for advice and guidance as that is not their role.

#### Review Agencies and Inspectorates

Aspects of the organisations’ activities may be subject to independent inspection and assessment. These reports are likely to identify areas of strength and issues to address and may also provide some assurance. Reports from the Local Government Ombudsman may also provide a further source of assurance.

## **Section 5: Corporate Governance**

### **5.1 Annual Governance Statement**

Regulation 4 of the Account and Audit Regulations (2003) requires audited bodies to conduct a review, at least once a year, of the effectiveness of their systems of internal control. This review is incorporated within the Annual Governance Statement that is published alongside the statement of accounts for both councils.

The purpose of the Annual Governance Statement is to provide a continuous review of the effectiveness of an organisation's internal control and risk management systems, so as to give assurance on their effectiveness and/or to produce a management action plan to address identified weaknesses in either process. The process of preparing the Annual Governance Statement will add value to the corporate governance and internal control framework of an organisation.

The statement needs to be approved separately to the accounts and signed as a minimum by the Chief Executive and the Leader of the Council. At each council the production of the Annual Governance Statement will be reliant upon the contents of some or all of the following. These sources of assurance are:

- Internal audit annual report
- External audit management letter
- Review Agencies and Inspectorates (where appropriate)
- Other internal review mechanisms
- The Strategic Risk and Opportunities Register, including controls and actions
- Operational Risk Registers, including controls and actions
- Statements of Assurance
- Identification of risks highlighted by the Joint Management Team
- Audit Committees at both councils
- Performance Management Framework
- Health and Safety Adviser

### **5.2 Statements of Assurance**

In order for the Chief Executive and the Leader of the Council to be able to sign off the Annual Governance Statement there is a requirement for each Head of Service to complete a statement of assurance taking responsibility for their individual service/operational risk registers and the implementation of the management actions contained within it. These statements of assurance will be completed on an annual basis to feed into the Annual Governance Statement.

The Chief Executive or, in the absence of the Chief Executive, a Director/Section 151 Officer, needs to sign a statement of assurance for the Strategic Risk and Opportunities Register.

## **Section 6: Contacts and Further Guidance**

### **6.1 Contacts**

Paul Sutton – Chief Finance Officer and S151 Officer  
Paul.Sutton@cherwellandsouthnorthants.gov.uk  
Telephone: 01295221634

Louise Tustian – Senior Performance & Improvement Officer  
Louise.Tustian2@cherwellandsouthnorthants.gov.uk  
Telephone: 01295 221786.

### **6.2 Supporting Documents / Guidance**

In addition to this strategy the following documents provide information and guidance with regards to risk management:

1. A quick guide to risk management – a three page summary of the councils' approach to risk
2. New risk assessment template – a two page template that takes you through the process of assessing a new risk or fully reviewing an existing risk
3. The risk process guide – a comprehensive guide to risk management