



Cherwell
DISTRICT COUNCIL
NORTH OXFORDSHIRE

Risk and Opportunities Management Strategy

2021/22

Owner: Section 151 Officer/Corporate Director: Customers, Organisational Development and Resources.
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Date of next review: March 2022

Version History:

Version	Date	Section	Reviewer	Description of Amendment
0.1	28/02/2018	All	Louise Tustian (Insight Team Leader)	<ul style="list-style-type: none"> Minor amendments throughout Adaptation of strategy to reflect new senior management structure and implementation of new Leadership Risk Register
0.2	01/03/2018	All	Rakesh Kumar (Insight Team Manager)	<ul style="list-style-type: none"> Minor amendments Inclusion of version history Update to 1.5 Risk Appetite following feedback from the Director – Customer Services and Service Developments
0.3	01/03/2018	All	Claire Taylor (Director of Customer & Service Development)	<ul style="list-style-type: none"> Minor amendments throughout
0.4	04/04/2018	All	Louise Tustian (Insight Team Leader)	<ul style="list-style-type: none"> Minor amendments
0.5	01/07/2019	All	Louise Tustian (Insight Team Leader)	<ul style="list-style-type: none"> Minor amendments reflecting separation of CDC and SNC.
0.6	31/01/2021	All	Louise Tustian (Head of Insight & Corporate Programmes)	<ul style="list-style-type: none"> Annual review of strategy pre CEDR review.
0.7	31/03/2021	All	Louise Tustian (Head of Insight & Corporate Programmes)	<ul style="list-style-type: none"> Review and update of titles and next review dates.

CONTENTS		
Section 1	Introduction	Page 4
1.1	An overview of Risk Management	4
1.2	Benefits of Risk Management	4
1.3	Strategy Objectives	5
1.4	Risk Appetite	5
1.5	Embedding Risk Management	6
Section 2	Risk Management Processes	7
2.1	The Risk Management Process	7
2.2	Identifying Risk & Opportunity	7-10
2.3	Assessing Risk	10
2.4	Managing and Controlling Risk	11-12
2.5	Reviewing and Reporting on Risk	12
2.6	Linking risk to business plans and performance	13
2.7	Linking risk to programmes and projects	13-14
Section 3	Roles and Responsibilities	15
3.1	Accountability	15
3.2	Council Committees	15-16
3.3	Section 151 Officer	16
3.4	Chief Executive Direct Reports	16
3.5	Insight Team	16
3.6	Team Managers, Officers and Staff	17
Section 4	Monitoring and Review	17
4.1	Annual Review of the Risk Strategy	17
4.2	Monitoring of the Strategy and Register	17
4.3	Internal Audit	18
4.4	External Audit and Review	18
Section 5	Corporate Governance	19
5.1	Annual Governance Statement	19
5.2	Statements of Assurance	19-20
Section 6	Contacts and Further Guidance	20
6.1	Contacts	20
6.2	Supporting Documents / Guidance	20

Section 1: Introduction

1.1 An overview of Risk Management

This strategy outlines the overall approach to risk and opportunities management for Cherwell District council.

The fundamental aim of the risk management strategy is to help the council identify and manage risk especially with regards to those risks (both financial and non-financial) that may have an impact on the reputation and performance of the Council as a whole, and in particular, on its ability to deliver on its strategic priorities.

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”

The Council is aware that risks will always arise, and most risks cannot be fully eliminated, only managed to an acceptable level. Within this context the council is committed to managing risk in order to reduce the impact on the organisations priorities and on service provision.

Risk management will be embedded within the daily operations of the council, from strategy and policy formulation through to business planning and general management processes. It will also be applied where the council works 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’ strategic priorities.

1.2 Benefits of Risk Management

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

- raising awareness of significant risks 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 Leadership 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 scores all Leadership risks and opportunities facing the council, which will assist the council in achieving their strategic priorities through pro-active risk management
- rate all significant risks in terms of likelihood of occurrence and potential impact upon the council and ensure effective controls are in place to mitigate significant risks
- allocate clear ownership, 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 the Chief Executive Direct Reports (CEDR) and Members, providing a framework for assurance that the controls identified to mitigate a risk are operating effectively
- ensure there is a link to the business plan

1.4 Risk Appetite

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

As such, Cherwell District Council will use risk management to add value. The Council 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' strategic priorities.

Particular focus will be on the councils' ambitions for increasing income generation and self-sufficiency through sound investments, effective asset management, commercialisation opportunities and programmes of regeneration.

Any risks associated with these plans will be managed through the appropriate mechanisms, ensuring due diligence has taken place; these include sound business cases, effective project management and working with external partners for specialist advice. Channels will be in place to report risks into the relevant management and democratic committees to ensure full transparency and allow any actions to be taken as necessary.

1.5 Embedding Risk Management

Risk Management is a standing item on the CEDR agenda (monthly basis) and ensures that identification and consideration of risk corporately and across services is emphasised and highlighted regularly. Risks can be escalated at any point to CEDR (who meet regularly) to discuss and make a decision as to whether the risk is a Leadership risk or should be managed at an operational level.

Risk is reported to CDC Executive as part of an integrated finance, performance and risk framework.

The Audit and Risk Committee receive regular risk management updates and review the Leadership risk register quarterly. 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 operational risk management activities should be included within service plans and progress monitored at Directorate level meetings. As such the integration of risk into business planning, strategic priorities 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 to be undertaken to ensure risk management is embedded across the councils:

1. A monthly review of the Leadership risk register updates at CEDR who take responsibility for ensuring that management actions highlighted in the risk registers are implemented
2. The Leadership risk review is presented to the relevant council committee (Executive and Accounts Audit and Risk Committee) to ensure Councillors have good access to risk information
3. Risk management and risk escalation awareness training sessions will be facilitated for Councillors and employees and guidance is available on the intranet.
4. An internal audit of risk management will take place annually.
5. A process of annual review is undertaken by CEDR to ensure the Leadership risk register remains up to date and that obsolete risks are removed.
6. The Insight team facilitate regular discussions around Risk and Performance at service team meetings, reiterating the escalation process into CEDR.
7. 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 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 the council 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 council maintains and reviews a register of their Leadership risks and opportunities and where possible links them to strategic business priorities.

Ownership is assigned for each risk and also has a Manager of the risk. CEDR identifies risks, reviews the register and the council has committees that also undertake a monitoring and oversight role on a regular basis.

2.2 Identifying Risk and Opportunity

The process of identifying risk is both formal (as part of business and project planning) 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 Leadership 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:

Leadership Risks: risks that are significant in size and duration and will impact on the reputation and performance of the Council as a whole, and in particular, on its ability to deliver on its strategic priorities.

Operational Risks: are risks affecting corporate systems or processes that underpin the organisation's overall governance, operation and ability to deliver services

The Leadership risks are owned by a CEDR member and managed by a senior manager.

These Leadership risks will be fully reviewed by CEDR 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 CEDR and council committees may identify new risks. If this is the case the risk assessment method is followed, and the Insight team adds the risk to the register.

Operational Risks

Operational risks should be identified and owned by the relevant service, led by the Assistant Director. 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 Insight team is able to support services by running risk workshops as required. A member of the Insight team attends DMT meetings where they will assist in identifying risks, and the management of operational risks alongside performance updates.

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' Leadership 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 Insight 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' Leadership 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 the councils' risk register.

2.3 Assessing Risk

Once a risk has been identified (of any type, Leadership, 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 council uses 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 a Leadership risk this is checked by the Insight team, for programme/ project risks by the relevant board and for operational risks by the Assistant Director.

		Probability				
		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.

Inherent Risk Score	How the risk should be managed
High Risk (16-25)	Requires active management Risk requires active management to manage down and maintain the exposure at an acceptable level. Escalate upwards.
Medium Risk (10 -15)	Contingency Plans A robust contingency plan may suffice together with early warning mechanisms to detect any deviation from the profile.
Low Risk (1 – 9)	Good Housekeeping May require some risk mitigation to reduce the likelihood if this can be done cost effectively, but good housekeeping to ensure that the impact remains low should be adequate. Re-assess frequently to ensure conditions remain the same.

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 reviews.

Organisational risk profile

Once Leadership risks and mitigating controls/actions have been assessed the results are then plotted on a risk matrix which is included as part of the Leadership risk register. Service/projects risks may be plotted in a similar way if 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 risk review process should reflect the activity taken within the period to control the risk.

The Four T's

The level of the inherent risk will help determine the best treatment for a risk, whether Leadership 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 Leadership 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 Leadership risks are insurable and only around 15 -20% of operational risks can be insured against.

2.5 Reviewing and Reporting on Risk

Leadership risks will be reported to committees regularly and reviewed monthly by CEDR. This review involves consideration of all Leadership risks facing the council, which could impact on the achievement of council strategic priorities, 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 risks and programme/project risks will be monitored and reviewed locally, on a monthly basis within DMT.

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 Leadership Risk to the Council Business Plan

The Leadership Risk and Opportunities Register is owned and managed by CEDR and reported by the Insight team. Where appropriate risks will be associated with council priorities and objectives. 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 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 Assistant Directors and service managers.

Integrating Risk and Performance Management

Performance and risk will follow the same reporting regime and performance of risks will be clearly highlighted in reports. Where possible risk monitoring information will be captured using the same process as performance information. Risks should be reviewed at the same time as reviewing performance of objectives/projects as they will impact each other.

2.7 Linking risk to programmes and projects

Programme and projects adhere to the agreed 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 Leadership 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 Leadership 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 CEDR	Responsible for providing and ensuring adherence to the Risk and Opportunities Management Strategy
Programme Senior Responsible Owner	Accountable for risk management actions agreed at Programme Board level, following escalation from projects
Assistant Director	Accountable for risk management actions agreed at DMT following escalation from projects and operational risks within the Directorate
Project Sponsor	<ul style="list-style-type: none"> Accountable for all risk management within the project, and for putting in place a risk management approach or strategy specific to the project Ensures all risks associated with the project business case are identified, assessed and controlled Triggers an escalation
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"> Creates the project-specific risk management approach as directed by the sponsor Responsible for creating and maintaining the risk register in line with requirements of the Risk and Opportunities Management Strategy, ensuring risk identification, assessment and control measures are implemented.

Section 3: Roles and Responsibilities

3.1 Accountability

There will be clear accountability for risks and risk management. This is supported through the 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 CDC Executive (lead member/portfolio holder) as advised by CEDR.

The CDC Accounts, Audit and Risk Committee has 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 Executive if it is considered that any improvements or amendments are required.

CDC Executive Members will be briefed regularly by CEDR to ensure they are aware of Leadership 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

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.

Executive (Cherwell District Council)

The Cherwell District Council Executive will receive a regular update on Leadership risks.

Reflecting the roles of these committees the relevant Chairmen, Lead Members 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 council has robust risk management strategies in place that effectively support the system of internal control.

3.4 Chief Executive Director Reports (CEDR)

CEDR has a number of roles with regards to risk management. As the senior management team, they are likely to own many of the Leadership risks on the councils' risk registers. As such they are responsible for risk review and monitoring on a monthly basis to CEDR meeting and regularly to Audit committees.

CEDR also have a role in discussing new risks and working with the Insight Team to ensure they are assessed, recorded and managed.

3.5 Insight Team

The Insight Team is responsible for preparing and updating the risk management strategy, for compiling and managing the Leadership risk register (including preparing regular reports) and for ensuring operational risk management is undertaken by services.

In addition, the team provides risk related support to managers, officers and councillors (through officer's groups and risk management training arranged by democracy) and provides information for 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, CEDR members may devolve the day to day responsibility for managing a Leadership risk to a service manager. If this is the case the manager will be expected to update the Leadership risk register on a monthly 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.

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 Leadership risk register will be fully reviewed by CEDR 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 Monitoring of the Strategy and Register

As part of the risk and opportunities management process it is expected that Leadership risks are reviewed on a monthly basis via CEDR and operational risks reviewed as part of DMT meetings.

A report will be taken to the Accounts, Audit and Risk Committee (Cherwell District Council) providing a summary of the most recent 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. 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 Leadership Risk and Opportunities Register, including controls and actions
- Operational Risk Registers, including controls and actions
- Statements of Assurance
- Identification of risks highlighted by CEDR
- 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 Leadership Risk and Opportunities Register.

Section 6: Contacts and Further Guidance

6.1 Contacts

Lorna Baxter – S151 Officer
Lorna.Baxter@cherwell-dc.gov.uk

Claire Taylor – Corporate Director: Customers, Organisational Development and Resources
Claire.Taylor@cherwell-dc.gov.uk

Louise Tustian – Head of Insight & Corporate Programmes
Louise.Tustian@cherwell-dc.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