

<b>Subject:</b>	<b>Corporate Risk Assurance Framework (CRAF)</b>		
<b>Date of Meeting:</b>	<b>10 January 2017</b>		
<b>Report of:</b>	<b>Executive Lead Officer, Strategy, Governance &amp; Law Executive Director, Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Jackie Algar</b>	<b>Tel: 01273 29-1273</b>
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<b>Ward(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE****1. PURPOSE OF REPORT AND POLICY CONTEXT**

1.1 This Corporate Risk Assurance Framework (CRAF) is designed to:

- help the council avoid costly mistakes, better protect our reputation and contribute to keeping the council safe
- support managers to obtain the assurance they need to plan and deliver their services
- replace the Risk Management Strategy
- inform Internal Audit work.

1.2 The council has followed the guidance provided by CIPFA/SOLACE, Delivering Good Governance in Local Government: Framework, and has used a well-known 'three lines of defence' model to map out assurance and assign accountability across the council's existing policies, procedures and risk management at strategic and directorate levels.

**2. RECOMMENDATIONS:**

That the Audit & Standards Committee:

2.1 Note the CRAF at Appendix 1.

2.2 Agree for a working group of the Committee to carry out a "deep dive" to review the CRAF to:

- enable members to consider whether the council has sufficient assurance over its governance arrangements and risks
- inform the Annual Governance Statement (AGS) and the Internal Audit plan for 2017/18.

2.3 Note that the CRAF will replace the Risk Management Strategy as outlined in paragraphs 6.2 to 6.4.

### **3. CONTEXT/ BACKGROUND INFORMATION**

#### **Reason for Governance and CRAF**

- 3.1 Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and delivered.
- 3.2 The fundamental function of good governance in the public sector is to ensure that entities achieve their intended outcomes while acting in the public interest at all times.
- 3.3 The CRAF requires the council to be active and have arrangements in place through its senior officers for robust arrangements for managing its business and keeping the council safe. It has three elements: Governance, Risk Management and Assurance over its delivery of outcomes and processes, its values and organisational culture. All of these elements are inter-related and are crucial to the success of the council as they affect its reputation with stakeholders.
- 3.4 The CRAF has involved mapping of assurance across the organisation, the policies and procedures which lay the foundation of our activities, Strategic Risks identified by the Executive Leadership Team (ELT); and through the Directorate Risks which relate to planning and delivery of services to customers.
- 3.5 These arrangements need to be clearly explained and demonstrated and will be reported each year in the Annual Governance Statement which is published alongside the council's annual accounts and made publicly available.
- 3.6 The CRAF will also provide a stronger evidence base than before for the AGS.

#### **Good Governance International Framework**

- 3.7 This CRAF is based on the work undertaken by the Chartered Institute of Public Finance Accountancy (CIPFA) and the International Federation of Accountants (IFAC) on an 'International Framework: Good Governance in the Public Sector.
- 3.8 The document's foreword explains that the 'Framework is novel in a number of ways, in particular its positioning of the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures' ...and ...' the need for integration in both the reporting of and thinking about organisational performance'.
- 3.9 The Good Governance Framework is set out in the diagram below:



### Assurance Mapping and the Three Lines of Defence Model

- 3.10 Assurance is the means by which an organisation gains confidence that it has robust arrangements in place and that it is managing its risks effectively. The council has a large number of sources of assurance including management controls, compliance focused teams, such as health and safety, internal and external audit and external regulators.
- 3.11 The Three Lines of Defence model has been practiced for a number of years, particularly within financial services, central government and the NHS. It identifies 3 levels of assurance within an organisation:

**C.R.A.F.**  
**Three lines of defence model**



3.12 Assurance mapping benefits organisations by providing an overview of its sources of assurance and existing processes. It provides:

- A structure to ensure that proper controls are in place
- The confidence that checks are in place for all areas of control
- The knowledge that the organisation is making best use of the assurance process, i.e. all areas are checked by someone and duplication is avoided

**How CRAF links to existing Risk Management practice**

3.13 Risk Management helps an organisation to identify, prioritise and manage risks which affect achievement of its objectives, including the take up of opportunities. Risk Management is a 'mindset' and a process to 'think things through when planning, and to respond to challenges with more effective actions.

3.14 Risk Management is the second of 8 elements of the Council's Performance Management Framework.



3.15 The council has had a Risk Management 'Policy', later re-named as a 'Strategy', since its formation in 1997. However, it is considered that the CRAF, co-ordinated by the Risk Management Lead who is also the lead officer to co-ordinate production of the Annual Governance Statement (AGS), has enabled Risk Management to demonstrate more fully its contribution and fundamental inclusion in the planning and delivery of activity. For this reason, the three year Risk Management Strategy 2014-17 will not be renewed after the end of March 2017.

3.16 As the Risk Management Strategy 2014 -17 covered a three year period, the Audit & Standards Committee received a report from the Risk Management Lead on the progress made during the financial year. This will be the last year that this will be reported in this way as the more active CRAF, underpinned by the Risk Management Process, will replace the Risk Management Strategy. The CRAF will be reported annually to Audit & Standards Committee.

3.17 Work using the CRAF will need to remain proportionate to the resources available; however the benefits that this more holistic approach will bring to the wider risk management process are judged to be desirable given that the amount of risk that the council holds is increasing, as budgets become tighter.

3.18 The Risk Management Process remains in use and is understood across the organisation. It includes details of the methods to manage risks (risk categories,

risk scoring guidance, risk matrix, risk register etc.) and is supported by the annual Risk Reporting Timetable which details when the ELT (every six months) and Directorate Management Teams (every quarter) will review and update risk information with support from the Risk Management Lead. The Risk Management Process is regularly reviewed by the Risk Management Lead and any changes will be submitted to the Officers' Governance Board and if there are any significant changes those will be reported to the Audit & Standards Committee. The Risk Management Process has satisfied internal auditors.

#### **4. FINANCIAL & OTHER IMPLICATIONS:**

##### Financial Implications:

- 4.1 The Corporate Risk Assurance Framework (CRAF) supports the council to deliver good governance and identify and mitigate against risks including financial risks. Appendix 1 sets out the mapping of Assurance and clearly identifies accountability. The CRAF replaces the Risk Management Strategy and is not anticipated to create additional costs for the council. The financial impact of any specific risks will be reported through the regular Targeted Budget Management and Budget reports to Policy Resources and Growth Committee and included within the Budget setting Reports to Budget Council where necessary.

*Finance Officer Consulted: James Hengeveld*

*Date: 12/12/16*

##### Legal Implications:

- 4.2 It is a core function of the Audit and Standards Committee to provide independent assurance of the adequacy and effectiveness of the council's governance, risk management and assurance arrangements. The proposal that annual reports will be submitted to this Committee on the CRAF as a key means of ensuring effective assurance is noted. Scrutiny of the Council's arrangements and examination of its progress against the CRAF is a legitimate exercise of the Committee's functions. So too is the making of recommendations to the Council, Policy, Resources and Growth Committee, officers or other relevant Council body following that scrutiny and examination.

*Lawyer Consulted: Victoria Simpson*

*Date: 28/11/16*

##### Equalities Implications:

- 4.3 Equalities process and any Strategic or Directorate Risks are included and will be reported as part of the CRAF and demonstrates that action to address equalities is an embedded element in the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and delivered.

### **SUPPORTING DOCUMENTATION**

**Appendices:**

1. The Corporate Risk Assurance Framework 2016/17.

**Documents in Members' Rooms**

1. The Corporate Risk Assurance Framework 2016/17.

**Background Documents**

1. Delivering good governance in Local Government Framework 2016 Edition, CIPFA and SOLACE.
2. International Framework: Good Governance in the Public Sector, IFAC and CIPFA 2014.

