

**PART ONE**

**To:** Surrey Police Authority  
**Date:** 4<sup>th</sup> November 2010  
**By:** Alison Bolton, Chief Executive  
**Title:** ANNUAL REPORT ON RISK MANAGEMENT 2009-10

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**Purpose of report**

To present the Authority's second annual report on risk management.

**Summary**

The Authority's internal auditors have recommended that the Authority should publish annually a report on risk management. A report, which has been considered by the Audit Committee, is attached for Members' approval.

**Recommendation**

The Authority notes the annual report on risk management for 2009-10.

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**Equality and Human Rights Implications:** None arising

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**Risk:** No specific risks arise from this report.

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**Background Papers:** Internal Audit Report on Risk Management and Draft SPA Inspection Report.

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<b>Contact details</b>	Alison Bolton, Chief Executive
<b>Telephone number:</b>	01483 630200
<b>Email Address</b>	bolton11786@surrey.pnn.police.uk

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**SURREY POLICE AUTHORITY**  
**ANNUAL REPORT ON RISK MANAGEMENT FOR 2009/10**

This is Surrey Police Authority's second annual report on the operation of its risk management arrangements and covers the municipal year 2009-10. On the recommendation of the Authority's internal auditors, Mazars, the report outlines the Authority's risk management framework, including a summary of the arrangements for identifying, reviewing and monitoring risks. It also provides an assurance on the robustness of our arrangements following recent audit and inspection.

**Discharging the Commitment in the Code of Corporate Governance**

The Authority revised its Code of Corporate Governance in May 2010 and included the following commitment:

*The Authority will take informed and transparent decisions which are subject to effective scrutiny and risk management.*

The Code of Corporate Governance confirms the Authority's intention to embed risk management within the Authority and Force by operating a risk management system that aids the achievement of strategic objectives, protects our reputation and other assets and is compliant with statutory and regulatory obligations. This system will be capable of formally identifying and managing risks, involve Authority Members, map risks to financial and other key internal controls and incorporate business continuity planning. The Authority has committed to reviewing and, if necessary, updating its risk management processes at least annually.

**Joint Strategy for Risk Management**

Surrey Police Authority and Surrey Police have had a joint strategy for risk management since December 2007. This was reviewed by the Audit Committee of the Police Authority in September 2010. The new strategy for risk management has been simplified and places on the onus on 'business owners' rather than specialist 'risk consultants' to manage risk in Surrey

Police. This year has also seen the introduction of a new risk management database for the Force.

### **Responsibilities**

Surrey Police Authority and Surrey Police both ensure that risk is taken seriously by the senior leaders of the organisations, recognising that significant risks could impede the achievement of the objectives of the Force and the Authority. The Chief Constable and the Chief Executive of the Authority are jointly responsible for the management of risk. The Treasurer also provides the Authority with advice on risk. The Chairman of the Authority and the Chair of the Audit Committee also take a particular interest in the management of risk.

The Authority's responsibility in terms of risk could be described as three-fold: it must ensure both the Force and Authority have in place effective risk management arrangements; it must identify and review its own risks; and it must identify and scrutinise the 'high level' risks belonging to the Force.

### **The Authority's Risks and its Risk Register**

The Authority has, since early 2009, maintained its own risk register as distinct from the Force. The Chartered Institute of Public Finance and Accountancy (CIPFA) recommends that risk management must clearly focus on those significant risks that would prevent the organisation achieving its key business objectives. It suggests that the number of significant business risks to which senior management attention should be drawn is no more than 10 to 20. The Authority has worked on this basis with its risk register.

The Authority's risk register uses the same approach and weightings to assess risk as that used by the Force, adopting a threshold approach which sorts risk by impact and probability.

Following discussions at an Authority workshop in March 2010, it was agreed that Member involvement in the review and oversight of Authority risks should be bolstered. The Authority's risk register is now brought to meetings of the

Audit Committee, rather than as previously, to ad-hoc meetings of the Authority's panel chairmen. The Audit Committee is a public meeting, but to ensure greater transparency, the Risk Annual Report will also be reported to the full Authority.

The Audit Committee now reviews the Authority's risk register to examine risk scores and control measures and assess whether any risks can be closed or should be added to the register. The Committee's Terms of Reference have this year been amended to reflect this new responsibility. The Secretariat has continued to review the register at its monthly team meetings and makes recommendations for changes to ratings to the Audit Committee.

### **Surrey Police's Risks and Jointly Owned Risks**

The Authority reviews 'High' and 'Very High' level Force risks at every full Authority meeting and at its Audit Committee. All Authority panels and committees have responsibility for considering areas of risk relevant to their business, either within the Force or for the Authority. Jointly owned risks are considered at Chief Officer Group meetings, to which the Chief Executive is invited.

The Authority's Chief Executive also sits on the Strategic Change Board which oversees significant change programmes in hand and routinely monitors project and programme risks.

### **The Authority's Assurance Framework and Business Continuity Plans**

The Authority maintains an assurance framework which has been developed to identify the internal controls in place to ensure that the Authority discharges its accountabilities – and in particular its statutory responsibilities - properly. Whilst the risk register comprises only those more critical risks that can be anticipated and dealt with, the assurance framework covers other eventualities. The framework is reported regularly to the Audit Committee.

The Authority has drawn up comprehensive business continuity plans. These are tested regularly by the Secretariat and have been put into practice this

year following the departure of the Chief Executive and the interruption to Authority business caused by heavy snowfall in February.

### **Decision-making**

To help the Authority in making decisions and managing its business, all reports to the Police Authority and to panels include an assessment of risk and how the risks will be mitigated. The responsibility for considering risk is included in the terms of reference of all our panels.

### **Training**

Training on risk management was delivered to all Members of the Authority by the internal auditors in December 2008 and a further session is included on the Authority's Member training plan for the forthcoming municipal year. Awareness of risk was included in the induction programme for new Members in June 2009 and a statement about risk management is included in the Members' handbook. Members attended a refresher workshop in March 2010 on the Authority's risk management arrangements.

### **Audit and Inspection of Risk Management Arrangements during 2009-10**

The Internal Audit function contracted by the Authority reviews areas identified on the risk register of the Force and the Authority on a regular basis as part of the Internal Audit Plan. Findings are reported to the Audit Committee.

The Authority and Force have agreed that risk management processes will also be subject to scrutiny by internal and external audit from time to time. The Authority's internal auditors undertook an audit of the Authority (and Force's) risk management framework in early 2010 and published their report in June 2010. The audit evaluated the effectiveness of the controls in place.

Auditors noted good progress in implementing the recommendations of previous internal audit reviews in 2008/09, with eleven of the twelve Authority recommendations being cleared or superseded. For the Authority, a number of areas were cited as good practice:

## NOT PROTECTIVELY MARKED

- The Joint risk management strategy with the Force which sets out the agreed approach to risk management
- Evidence of discussion of risk at panel meetings, and 'risk' as a standing agenda item at all meetings
- The Authority regularly reviews the Force's high level risks
- Members have received external risk management training, and it is on their training plan to have refresher training
- The Authority has a detailed risk management handbook
- The Authority produces an annual report on risk management which is presented to the Audit Committee.

The two housekeeping recommendations for the Authority in the 2010 audit report have now been discharged.

The inspection of Surrey Police Authority by the Audit Commission and Her Majesty's Inspectorate of Constabulary (HMIC) in June 2010 made positive findings about the Authority's risk management arrangements and raised no areas for improvement. The inspection report noted that:

*"The Authority has a strong approach and sound processes to manage risk. In addition to scrutinising the Force's risk register the Authority maintains its own risk register which it manages effectively. This helps it ensure that risks are identified and mitigated appropriately."*

*"(The Authority) shares effective risk assessment arrangements with the Force to anticipate, monitor and mitigate financial, resource and community priority risks routinely throughout the year."*