



To: Joint Audit Committee
From: Chief Executive
Date: 18 September 2013

COMMISSIONER AND CONSTABULARY STRATEGIC RISK MANAGEMENT

1. Purpose

- 1.1 The purpose of this report is to provide the Committee with an update on strategic risk management and to consider next steps.

2. Recommendations

The Committee is asked to:

- a) Consider and approve the joint (Commissioner and Constabulary) strategic risk register and updated risk management strategy
- b) Note the commencement of work to ensure the continuity of effective controls assurance mechanisms as Transfer Order 2 is implemented in April 2014
- c) Indicate which areas it would wish to consider in further detail during future meetings as controls assurance.

3. Background

- 3.1 Risk management is embedded into the work of the Office of the Police and Crime Commissioner on an ongoing and continuous basis. The Financial Management Code of Practice for the Police Service of England and Wales (FMCOP), issued under section 17 of the Police Reform and Social Responsibility Act 2011 which introduced Police and Crime Commissioners, requires the Commissioner and the Chief Constable to establish an independent Audit Committee.
- 3.2 The draft Terms of Reference, in line with the FMCOP, include the responsibility to *'monitor the effective development and operation of risk management and make recommendations as appropriate'*. With this in mind, the Office of the Police and Crime Commissioner worked with the Constabulary to develop a draft joint strategic

risk register, which has been endorsed by the outgoing Police Authority through the (Interim) Audit Committee and, in March 2013, by the Interim Joint Audit Committee.

3.3 The Force Risk Register is owned and monitored by the Force Executive Board.

4. Development of the Joint Strategic Risk Register

4.1 The risk register sets out the key accountable activities and responsibilities mapped to the Police and Crime Commissioner and the Chief Constable for keeping Cambridgeshire safe and secure.

4.2 It sets out the key risks or challenges that could prevent the Commissioner and the Chief Constable from achieving their objectives, the reasons those risks could occur and the impact if those risks materialised. These risks have been developed based on the requirements set out by the Police Reform and Social Responsibility Act 2011 and Home Office briefings for candidates on the role of Police and Crime Commissioners.

4.3 It also includes risk controls and controls assurances, as well as risk owners and initial and residual risk ratings.

4.4 The Office of the Police and Crime Commissioner has been working with the Constabulary to develop the Joint Strategic Risk Register. Earlier drafts of the risk register were endorsed by the previous (Interim) Audit Committee of the Police Authority on 18 September 2012 and 20 November 2012 and by the Interim Joint Audit Committee in March 2013.

4.5 In September 2012, RSM Tenon carried out an advisory internal audit on Governance – Transition, focussing on this approach. Although advisory, the audit concluded that the process had been *“carried out in line with recognised good practice for management of risk by identifying the risks, the ‘cause’ and perceived ‘effect’ of failure to manage the risks identified in fulfilling the strategic objectives of the organisation”*. It also identified the approach taken as good practice.

4.6 The Joint Strategic Risk Register is a working draft until approved by the Committee, when it will be published on the OPCC website.

5. Current Risk Environment

5.1 As you would expect as the key drivers of change currently, the changes in the risk environment over the last two quarters have largely related to transition (specifically transfer order 2) and collaboration. For transition, these changes have had an impact on the overall risk rating but mitigating actions are in place and monitored by the Office and the Commissioner.

5.2 Based on the risks, controls and controls assurance identified in the strategic risk register, the Committee is asked to indicate which areas it would wish to consider in further detail during future meetings, as controls assurance.

5.3 Transition

- *The Commissioner fails to take the appropriate decisions to enable them to fulfil their statutory functions effectively (Ref. 2/1). The cause also now*

specifically identifies the implementation of transfer order 2, as one of the key drivers of change currently.

- *The Commissioner and Chief Constable are unable to influence national, regional, or strategic alliance policies* (Ref. 2/4). This risk has been updated to reflect the national role being undertaken by the Commissioner and the Chief Constable.
- *The Commissioner and the Chief Constable fail to work together effectively* (Ref. 3/2). This risk has been updated to reflect the effective working relationships that have been established and the agreement of the proposed transfer order 2.
- *The Commissioner fails to ensure effective arrangement for the Deputy Commissioner, Chief Executive and the Commissioner's Chief Finance Officer to be appointed, supported and challenged while in post and to remove them from office when necessary. The Commissioner fails to provide the Chief Executive with the resources necessary to carry out their duties* (Ref. 3/5). The risk rating has been updated to reflect the transition necessary to implement transfer order 2.
- *The Commissioner fails to ensure effective arrangement for the Chief Constable to be appointed, supported and challenged while in post and to remove them from office when necessary* (Ref. 3.6). This risk has been updated to reflect the performance monitoring framework that has been put in place.
- *The Commissioner and Chief Constable fail to apply and demonstrate good governance, in accordance with best practice, including the Nolan principles* (Ref. 4/1). The cause has been updated to specifically identify the transition to the new governance requirements necessitated by the implementation of transfer order 2.

5.3 Collaboration

The Commissioner (and Chief Constable if this relates to the functions of the police force) fails to enter into or achieve the benefits of collaboration agreements where it is in the interest of the efficiency or effectiveness of their own or another police force (Ref. 3/3). This risk has been updated to reflect the revised governance mechanisms which are being put into place.

6. Risk Management Strategic Approach

6.1 As the impact of the development of the two corporations sole through transfer order 2 becomes clearer we would propose seeking to embed a strategic risk management strategy, in line with good practice. This will form part of the work to ensure the continuity of effective controls assurance mechanism as transfer order 2 is implemented.

6.2 At this stage, the Police Authority's Risk Management Strategy has been updated to reflect the transition to the Police and Crime Commissioner. The aim of this strategy is to ensure that risk management is embedded into the governance structure and

that it is effectively underpins and enables the business in accordance with the objectives set out below:

- To increase the likelihood of achieving the Commissioner's and Chief Constable's strategic objectives including facilitating an effective transition of risk management responsibilities during the creation of two corporations sole;
- To prevent or reduce the potential consequences of events which could have been reasonably foreseen;
- To prevent or reduce events or actions that could damage the reputation of, and public confidence in, policing, community safety and crime reduction in Cambridgeshire;
- To improve decision-making and planning and assist in the allocation of resources;
- To integrate risk management into the culture and processes;
- To raise awareness of risk management among staff, making it an integral part of their thinking and actions, and
- To satisfy the requirements of corporate governance for the Annual Governance Statement, and external auditors in relation to the effectiveness and adequacy of risk management.

6.3 It reflects the following good practice principles which have underpinned the development of the joint strategic risk register:

- The avoidance of creating or perpetuating an unduly risk-averse culture by taking an approach which considers the risks of not undertaking activities and not exploiting opportunities.
- Consideration of risk should both help to secure existing objectives and not stifle innovation when taking decisions on new and innovative projects.
- Mitigation measures should be effective, appropriate, proportional, affordable and flexible e.g. controls are not to be set up where the cost and effort is disproportionate to the expected benefits, and these should be implemented with minimum bureaucracy.
- Risk should be anticipated and decisions over the extent to which these should be managed are to be considered within a mature and evidence-based assessment framework, including taking account of possible impact and public reaction.
- Risk management should be embedded into the governance structure and effectively underpin and enable the business, making it an integral part of the thinking and actions of staff.

7. Integrity Sub-Committee

7.1 The Integrity Sub-Committee will support the Committee in their controls assurance role on integrity matters.

Recommendations

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