

Report sponsor: Director of Policy, Insight and Communications
Report author: Head of Strategy and Performance

Risk management – assurance update

Purpose

- 1.1 Risk is an inevitable part of service delivery for all organisations. A robust and embedded risk management framework aids effective and informed decision-making, by identifying and managing risks.
- 1.2 It is essential that for significant organisational risks, or strategic risks, that we understand the effectiveness of our controls in the desired treatment of the risk – how assured are we that risks are accurately identified, in a timely way, and are being well-managed?
- 1.3 The purpose of this report is to provide the Audit and Governance Committee with an overview of the on-going implementation of our risk management framework, to develop Derby's risk culture, alongside a mid-year review of assurance activities relating to our strategic risks.
- 1.4 It should be noted that no strategic risks have been identified for a Risk Surgery, as adequate assurance is judged to be in place for all risks currently on the register.

Recommendations

- 2.1 To note the assurance assessments for each stage of Derby's risk management processes, presented in Appendix 1, alongside the opportunities for improvements that will be progressed throughout 2022.
- 2.2 To note the overview of our strategic risk register, including assurance activities planned or completed, presented in Appendix 2.

Reason

- 3.1 The Audit and Governance Committee is responsible for providing assurance to the Council on the effectiveness of its governance arrangements, its risk management framework and the internal control environment.

Supporting information

Risk Management Strategy and Handbook

- 4.1 Derby's current Risk Management Strategy and supporting Handbook were published in December 2020, following consideration by the Audit and Governance Committee in November 2020.
- 4.2 The Strategy and Handbook were refreshed to support the on-going development of our risk management culture and supporting systems and processes.
- 4.3 Since publication, the Strategy and Performance service have been working in partnership with colleagues from across the Council, aided by the Corporate Risk Management Group, to implement the developments within both documents and set the foundations for the next refresh by the end of 2022.
- 4.4 Presented in **Appendix 1** is a summary of current progress in the implementation of the Strategy and Handbook. Key developments over the last six months have included:
- strengthened alignment between Internal Audit and Strategy and Performance, to make sure that assurance activities on risk controls are coordinated and targeted;
 - the development of an Accountabilities Framework, led by Organisation Development, that aligns to roles and responsibilities within the Strategy;
 - implementation of a Project Management Platform to inform a wider oversight of programme and project risks by Strategy and Performance and senior leaders, aiding more consistent review, challenge and project risk escalation;
 - strengthened risk identification through the introduction of more standard items for consideration by the Corporate Risk Management Group (e.g. risk indicators and the emerging risk log);
 - refreshed risk registers / templates to address Internal Audit recommendations and to improve processes, reducing manual intervention and allowing easier access to historical risk controls;
 - hosting risk appetite workshops with Directors and Heads of Service, with insight gathered through survey activities, which will inform the development of Derby's risk appetite statements; and
 - the completion of seven deep-dive risk reviews, in addition to the work of Internal Audit, the findings of which are presented in paragraph 4.15.
- 4.5 Alongside the routine evaluation of controls in place for the Risk Management Strategy and Handbook, completed by the Strategy and Performance service, it should be noted that an Internal Audit Report on Risk Management was published in 2021.
- 4.6 The report found that *"The Risk Management Framework in place at the Council had a solid basis with a risk matrix in place that was used to assess the impact and likelihood of all risks. All risks had an associated risk owner and linked closely to the strategic objectives of the Council. The Risk Registers were reviewed and updated quarterly with progress on mitigating actions. The revised Risk Management Strategy and Handbook, published in November 2020, positively progressed this Framework, acting as a much more cohesive document than the prior versions. It*

was also evident during the engagement that work was constantly being done to further the Council's risk maturity level."

- 4.7 Internal Audit were able to offer *"reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally, risks were well managed, but some systems required the introduction or improvement of internal controls to ensure the achievement of objectives"*.
- 4.8 Seven recommendations were made in relation to 'low risk' control ratings, which are reflected within priorities for improvement during 2022...

Summary of Weakness	Actions
Risk tolerance was not clearly defined in the revised Risk Management Strategy or Revised Risk Management Handbook, both published in November 2020, and the difference between risk tolerance and risk target score was not explained.	Further guidance will be included within the 2022 refresh of the Strategy and Handbook. Workshops have taken place to define our risk appetite statements, which will support in the establishment / challenge of tolerances in line with this.
The revised Risk Management Handbook, published in November 2020, was unclear in its explanation of risks, indicating that only those relating to the delivery of objectives should be considered.	Further guidance will be included within the 2022 refresh of the Strategy and Handbook.
The risk appetite was not clearly defined in the revised Risk Management Strategy. There was no distinction made between the risk appetite and risk tolerance.	Workshops have taken place to define our risk appetite, with supporting statements to be developed following a workshop with Cabinet before the end of 2021/22.
The risk maturity level of the Council was not clearly evidenced or being regularly assessed.	A risk maturity self-assessment will be completed in 2022.
Mitigating actions did not have clear action dates and were not clearly prioritised as to their overall effect on the risk as outlined in the revised Risk Management Handbook.	Completed – risk templates were updated by the end of December 2021.
There was limited evidence that early warning indicators had been considered as part of the risk management process and discussion with Risk Champions further confirmed this.	Completed – additional items added to the standing items for the Corporate Risk Management Group, who will support the on-going development of processes to ensure appropriate identification of risk at the earliest opportunity.
Directorate Risk Registers were only made available to Senior Management and officers involved in the risk management process.	Completed - directorate risk registers have been published on MiDerby, to improve accessibility. A summary of project risks will also be available through the Project Management Platform dashboards.

Strategic risks and opportunities

- 4.9 Effective risk assurance models consider a variety of sources of intelligence and insight to inform judgements on the adequacy of risk controls.

Source of assurance	How they provide assurance
Management control / internal control measures	<ul style="list-style-type: none"> Identify, assess, own and manage risks Design, implement and maintain effective internal controls Supervise controls and monitor adherence / effectiveness Implement corrective actions to address deficits and strengthen controls to reduce the risk threat
Targeted review of risks in line with risk management roles and responsibilities	<ul style="list-style-type: none"> Set the boundaries for delivery through the definition of standards, policies, procedures and guidance Assist management in developing controls in line with good practice Monitor compliance and effectiveness Identify and alert senior management to emerging issues and changing risk scenarios
Independent review – internal or external	<ul style="list-style-type: none"> Provide an objective evaluation of the adequacy and effectiveness of the framework governance, risk management and control Provides proactive evaluation of the controls proposed Advice on potential control strategies and the design of further controls

- 4.10 Presented in Appendix 2, is an overview of Derby's strategic risk register, as was reported to Cabinet in November 2021 (representing updates as at the end of September 2021 or quarter 2).
- 4.11 All risks within the register have controls and further mitigations identified, as appropriate. As a minimum these are reviewed quarterly, with registers accessible to risk owners and updaters at all times. This makes sure that controls and actions can be reviewed and updated as required; ensuring risks remain accurate.
- 4.12 Overall, progress in mitigations are consistent and positive, with only a few controls across risks within the strategic register reporting slippages. It should however be noted that some additional actions for a small number of risks have reported 'some slippage' in implementation. These are monitored and reviewed through targeted discussions with risk owners, through lead boards and/or working groups alongside the Strategy and Performance service.
- 4.13 The majority of risks within the register are regularly and actively reviewed, in some instances, by multiple boards and/or working groups. This is further strengthening our control environment through regular review and monitoring in a multi-disciplinary setting, for often complex risks.
- 4.14 Through strengthening arrangements on assurance activities, coordinated by both Strategy and Performance and Internal Audit, there is also evidence in most instances of work completed, in progress, or planned; seeking assurances on the accuracy of the risks, alongside the adequacy of controls.

- 4.15 Presented below is a summary of targeted risk assurances activities completed in 2021, in line with our Risk Handbook, alongside a summary of findings.

Strategic Risk	Type of review	Outcome / findings
SR5/CR5 - Non-compliant condition of Council properties	Corporate Risk Management Group (CRMG) Deep Dive Review*	Risk appropriately defined and controls considered to be adequate – with evidence of progress on mitigations CRMG reported they were assured.
SR6/CR19 - Ineffective project management governance	CRMG Deep Dive Review	
SR7/CR6 - Ineffective contract management	CRMG Deep Dive Review	
SR10/P-R1 - Budget overspend due to high numbers of children in care	Targeted risk review with the Risk Owner led by Strategy and Performance, with the outcomes reported to the CRMG for review and challenge*	Risk re-defined and mitigations amended, with new actions identified. CRMG reviewed proposals and supported the changes.
SR15/CR16 - Inability to deliver a balanced MTFP	Targeted risk review with the Risk Owner led by Strategy and Performance, with outcomes to be reported to the CRMG for review and challenge	Risk considered to be appropriately defined. Additional controls / actions identified. To be reported to the CRMG in 2022.
SR16/CR17 - Inability to deliver against our annual revenue budget		
SR17/P-R12 - Inability of Local Authority and Local Area (Local Authority and key local Health partners jointly) to implement the SEND reform	Targeted risk review with the Risk Owner led by Strategy and Performance, with the outcomes reported to the CRMG for review and challenge*	Risk re-defined and mitigations amended, with new actions identified. To be reported to the CRMG in 2022.

* Additional targeted reviews completed by Internal Audit and/or a third party (i.e., Ofsted).

- 4.16 Based on the summary presented at Appendix 2, there are no risks recommended for a Risk Surgery, as there is appropriate assurance on our strategic risks.

Public/stakeholder engagement

- 5.1 Risk owners, the Corporate Risk Management Group and the Corporate Leadership Team have been consulted on the development of our approach to assurance and will, alongside the Audit and Governance Committee, inform future developments.

Other options

- 6.1 None.

Financial and value for money issues

- 7.1 None directly arising from this report. Financial risks are contained within the strategic risk register and assessments of assurance are considered to be appropriate.

Legal implications

8.1 None directly arising from this report.

Climate implications

9.1 None directly arising from this report.

Other significant implications

10.1 None directly arising from this report.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Emily Feenan - Director of Legal, Procurement and Democratic Services and Monitoring Officer	13/01/2022
Finance	Simon Riley - Strategic Director of Corporate Resources & S151 Officer	13/01/2022
Service Director(s) Report sponsor	Heather Greenan – Director of Policy, Insight and Communications	12/01/2022
Other(s)	Richard Boneham – Head of Internal Audit (DCC) & Head of the Audit Partnership	13/01/2022

Background papers:	None.
List of appendices:	Appendix 1 – Risk Management Strategy Assurance Review - December 2021 Appendix 2 - Risk Assurance – Strategic Risk Register Mid-Year Assurance Review