AUDIT AND GOVERNANCE COMMITTEE
27 July 2022

ITEM 09

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

2021/22 year-end risk assurance report

Purpose

1.1 Following the approval of the refreshed Risk Management Strategy and Handbook, in November 2020, risk reporting to the Audit and Governance Committee has been re-positioned to providing assurance on the effective implementation of our risk management framework.

1.2 The mid-year risk assurance report was considered by the Committee in January 2022.

1.3 The purpose of this report is to update the Committee on activity that has taken place over the last 6 months of 2021/22 and to set out proposals for risk reviews in 2022/23.

1.4 For a full overview of risk assurance activity in 2021/22, this report should be considered alongside the mid-year review.

Recommendations

2.1 To note the progress made from the mid-year position on assurance assessments for each stage of the risk management process, presented in paragraph 4.4.

2.2 To note the latest assurance overview completed on risks within the strategic risk register, Appendix 1, and the subsequent recommendations for targeted risk assurance activities during 2022/23 (paragraphs 4.8 and 4.9).

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

4.1 In January 2022, the Audit and Governance Committee considered the mid-year risk assurance report for 2021/22.

4.2 Key highlights noted in the mid-year review of risk assurance 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 Organisational Development (OD), that aligns to roles and responsibilities within the Strategy;
- the 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.

4.3   To support the on-going development of our risk management framework, there were a number of opportunities identified where further actions should be taken to strengthen our risk maturity.

4.4   Presented below is a summary of the identified opportunities for development and the progress that has been made over the last 6-months in the implementation of these.

Themes in our Strategy and Handbook	Identified opportunities for development	Progress update (March 2022)	
Roles and responsibilities in the Risk Management Strategy and Handbook	• Risk management refresh training to be delivered by the end of March 2022, with a training plan to be developed for 2022/23. • On-going communication of risk management roles and responsibilities, raising the profile of risk management. • Implementation of the Accountabilities Framework, led by OD, which includes risk management. • Review the Risk Champion / Assurance Advocate role. • A complete review of the Strategy and Handbook to inform a refresh by the end of 2022, which will address recommendations from the 2021 internal audit.	**In progress**	• Training delivered as scheduled. • Communication of risk management continues including on roles and responsibilities, with a focus on risk management within projects (through a recently established Project Manager network). Actions to be carried forward to 2022/23 • Development of a training schedule, in line with the Accountabilities Framework. • Review the Risk Champion / Assurance Advocate role. • A complete review of the Strategy and Handbook to inform a refresh by the end of 2022, which will address recommendations from the 2021 internal audit.
Risk identification	• Strengthening department risk management arrangements, through revised processes and	**In progress**	• Targeted analysis completed on threats and opportunities identified in the 2022/23 department business plans.

Themes in our Strategy and Handbook	Identified opportunities for development	Progress update (March 2022)	
	templates and targeted engagement with services. • Review risk recording and reporting options, in line with the Insight Led Council programme.		• Support provided for departments on risk monitoring and identification, with a number of workshop sessions hosted over the last 6-months, in line with the deep-dive reviews. • Review of recording and reporting options has been completed and this is now a key feature of Phase 2 of the Insight-Led programme.
Risk analysis	• Risk management refresh training to be delivered by the end of March 2022, with a training plan to be developed for 2022/23.	**In progress**	Training delivered as scheduled, with the 2022/23 training plan to be developed.
Risk treatment	• Development and communication of risk appetite statements to inform review and challenge on risk treatment proposals, alongside risk tolerances	**In progress**	Risk appetite statements have been drafted and will be finalised and approved in 2022/23 in line with the refresh of the Risk Management Strategy and Handbook.
Completing the risk register	• Review risk recording and reporting options, in line with the Insight Led Council programme	**In progress**	Review of recording and reporting options has been completed and this is now a key feature of Phase 2 of the Insight-Led programme.
Monitoring, reporting and reviewing risks	• Implementation of portfolio management - aligning risk activities and the development of partnership risk registers • On-going risk reviews to be completed, in line with our Risk Management Handbook.	**Some slippage**	There has been significant activities completed over the last 12-months on risk reviews, both in relation to identified strategic, directorate and department risks and also in relation to emerging areas of both service / strategic risks and project risks.
Risk assurance	• Targeted review of high-risk projects. • On-going risk reviews to be completed, in line with our Risk Management Handbook.	**In progress**	The 'slippage' assessment relates to delays in the establishment of partnership risk registers in line with the implementation of refreshed arrangements, which commenced in July 2022 and there is a workshop scheduled for September 2022.
Risk appetite	• Cabinet workshop to be hosted by the end of March 2022. • Development and communication of risk appetite statements.	**In progress**	The Cabinet workshop was hosted as planned, and draft risk statements are in place. These need to be finalised, approved and communicated in line with the refreshed Strategy and Handbook.
Risk maturity	• Self-assessment model to be developed.	**Not commenced yet**	Action is not scheduled to commence until 2022/23.

4.5   It should be noted that all controls assessed as 'in place' in the mid-year position continue to be evaluated as such.

4.6   As reported to the Committee in January 2022, the internal audit of risk management identified seven 'low risk' control ratings. An update was provided on progress with implementing these in the mid-year position, with three recommendations closed. Updates available on the open four are presented below:

Summary of Weakness	Mid-year position	Year-end position
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.	No action taken - to be completed between April 2022 and March 2023.
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.	No action taken - to be completed between April 2022 and March 2023.
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.	Provisional risk appetite statements have been developed, informed by workshops with Senior Leaders (Directors and Heads of Service) and Cabinet.
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.	No action taken - to be completed between April 2022 and March 2023.

4.7   Presented in **Appendix 1** is an overview of the Strategic Risk Register, at the end of Quarter 4 (Q4).

4.8   It should be noted that there have been three strategic risks identified for review by the Corporate Risk Management Group (CRMG) in 2022/23, although the plan will remain dynamic to respond to any emerging concerns on our risks or opportunities.

Risk	Proposed review date	Rational for review
SR22_CR24 - Capacity within some teams to deliver core services, and in some instances meet statutory duties	Quarter 1 /2	Risk to be reviewed and re-defined based on changes in the impact of COVID and a need to assess the on-going impacts and associated risks for specific services.
SR21_CR22- Levels of emotional health and wellbeing amongst council colleagues	Quarter 1 / 2	Risk to be reviewed in line with the targeted deep-dive performance review on sickness absence.

Risk	Proposed review date	Rational for review
SR27_PS20 - Diminished outcomes for Derby's children and young people	Quarter 3 / 4	Risk has not been subject to review and the assessment of the impact of controls on outcomes needs to be evaluated post COVID to assess the degree to which this area remains a risk, alongside the effectiveness of mitigations.

4.9 In addition to those areas to be considered by the CRMG, two 'risk themes' will be subjected to targeted review activities by the Assurance Team, to ensure that the risks are appropriately identified and defined…
- Adult social care risks, in line with the implementation of the national reforms.
- Rising cost of living analysis to update / re-define associated risks and where appropriate recommend the introduction of new risks.

4.10 Based on the assessment completed at the end of June 2022, on the updates provided at the end of March 2022, there are no risks recommended for a Risk Surgery. The outcomes of targeted assurance activity will be reported within the next update to the Committee.

Public/stakeholder engagement

5.1 Risk owners and the Corporate Leadership Team have been consulted on the development of our approach to assurance and will alongside the Audit and Accounts 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 with 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.

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	14/07/2022
Finance	Simon Riley - Strategic Director of Corporate Resources & S151 Officer	14/07/2022
Service Director(s)		
Report sponsor	Heather Greenan – Director of Policy, Insight and Communications	18/07/2022
Other(s)	Richard Boneham – Head of Internal Audit (DCC) & Head of the Audit Partnership	15/07/2022

Background papers:	
List of appendices:	Appendix 1 – 2020/21 Year-end review of assurance on Strategic Risks