**AUDIT AND GOVERNANCE COMMITTEE**
**24 January 2024**

**Derby City Council**

Report sponsor: Heather Greenan Director of Corporate Management
Report author: Sarah Walker Head of Strategy, Performance and Partnerships, and Katherine Mawson Assurance Lead

# ITEM 07

# 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 during 2024.

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

4.1 In March 2023, the Audit and Governance Committee considered and endorsed the Risk Management Strategy 2023 - 2025 alongside the supporting Handbook, which contained more details for colleagues in the implementation of the Strategy.

4.2 Since publication, the Strategy, Performance and Partnerships service have been working together with colleagues from across the Council, aided by the Corporate

Risk Management Group, to implement the developments within both documents and seek opportunities for further actions to be taken to strengthen our risk maturity.

4.3 In July 2023, the Audit and Governance Committee considered the year-end risk assurance report for 2022/23.

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:
- **Risk training** sessions hosted with Councillors, Cabinet, Heads of Service and Managers.
- **Risk maturity** outlined as part of risk training sessions.
- **Reviews of the risk level of all strategic risks** to seek assurances that they continue to be managed at the correct level.
- **Emerging risk log** circulation widened to Heads of Service monthly, supporting in risk identification.
- The Assurance Team has led and supported with specific service **risk review** requests, as appropriate (e.g. Property and Accommodation Sufficiency).
- We have **continued 6-monthly assurance reviews on strategic and directorate risks where the scores remain unchanged, despite mitigations**, to ensure risks are appropriately defined, review the context, any barriers to reduced ratings and any anticipated impacts of controls.
- **Strengthening programme and project risk assurance activities** through embedding our Assurance and Development (A&D) Group, which underpins the Programme Management Office Board (PMO), and the introduction of an **assurance report template**, which takes a risk-based approach to recommendations.

**Strategic risks and opportunities**

4.5 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><li>Identify, assess, own and manage risks</li><li>Design, implement and maintain effective internal controls</li><li>Supervise controls and monitor adherence / effectiveness</li><li>Implement corrective actions to address deficits and strengthen controls to reduce the risk threat</li></ul> |
| Targeted review of risks in line with risk management roles and responsibilities | <ul><li>Set the boundaries for delivery through the definition of standards, policies, procedures and guidance</li><li>Assist management in developing controls in line with good practice</li><li>Monitor compliance and effectiveness</li><li>Identify and alert senior management to emerging issues and changing risk scenarios</li></ul> |
| Independent review – internal or external | <ul><li>Provide an objective evaluation of the adequacy and effectiveness of the framework governance, risk management and control</li><li>Provides proactive evaluation of the controls proposed</li><li>Advice on potential control strategies and the design of further controls</li></ul> |

4.6    Presented in **Appendix 2**, is an overview of Derby's strategic risk register, as was reported to Cabinet in November 2023 (representing updates as at the end of September 2023 or quarter 2).

4.7    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.

4.8    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, and one risk has reported 'major slippage' in implementation (*SR8_CR7 Data and records management*). These are monitored and reviewed through targeted discussions with risk owners, through lead boards and/or working groups alongside the Strategy, Performance and Partnerships service.

4.9    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.

4.10   Presented below is a summary of targeted risk assurance activities completed between July and November 2023, in line with our Risk Handbook, alongside a summary of findings.

| Strategic Risk | Type of review | Outcome / findings |
|---|---|---|
| SR30_PS24 - Inability to meet the demand of Local Area SEND High Needs Block and conditions of the Dedicated School Grant | Assurance review<br><br>Reviewed by the Corporate Risk Management Group in August 2023 | Risk redefined and controls and actions updated. |
| SR26_CP15 - Inability to meet statutory duties for accommodation-based support for domestic abuse victims with protected characteristics (specifically male victims) | Reviewed by the Corporate Risk Management Group in August 2023 | Risk de-escalated to department level |
| SR21_CR22 - Health, Wellbeing and Sickness related absences | Assurance review<br><br>Reviewed by the Corporate Risk Management Group in August 2022 | Risk redefined and 'CP3 - *Significant sickness-related absences'* combined with SR21. Controls and actions reviewed and updated. |
| SR28_PS22 - Inadequate placement sufficiency to meet the increase in complexity of need for Derby's looked after children and young people | Assurance review<br><br>Reviewed by the Corporate Risk Management Group in August 2023 | Risk was redefined from '*Increasing complexity of need for Derby's children and young people, with insufficient services available at the 'right time' to meet this, from 'early offers of support' to placement options available for our looked after children and young people*' in quarter one. |

| Strategic Risk | Type of review | Outcome / findings |
|---|---|---|
| SR14_CP1 - Adverse outcome to estimated fair value determination | Risk recommended for closure in quarter one and subsequently reviewed by the Corporate Risk Management Group in August 2023 | Risk closed |
| Mid-year review and challenge of all risks on the strategic risk register to ensure these are being managed at the appropriate level | Review by Assurance Team, Director of Corporate Management, Head of Strategy, Performance and Partnerships. Reviewed by the Corporate Risk Management Group in August 2023 | Risks recommended for de-escalation discussed with risk owners as part of quarter one reporting. |
| N/A | Property Risks - risk level discussion | Focused actions to review and update property and estates risks, and additional emerging risks added to emerging risk log |
| N/A | Cost of living risk register reviewed | Scores and risks reviewed as part of on-going delivery of the Cost of Living Strategy and Action Plan |
| N/A | Targeted project risk reviews through PMO gateway assurances: <br>• Mobility Programme - 6.3 Strategic Corridors (b) - Derby Road <br>• HRA Programme projects – Riverside Site, Warwick House, Drewry Lane, The Knoll <br>• Support Exempt Accommodation <br>• Local Electric Vehicle Infrastructure (LEVI) | Strengthened risk and opportunity identification, analysis and management <br><br>Escalation of any matters that required consideration by the Delivery Board. |

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

4.12    Further evidence of appropriate assurance for our strategic risks was evidenced in the Annual Governance Statement 2022/23, which noted that the Head of Internal Audit's opinion for 2022/23 was that there is a "*Satisfactory System of Governance, Risk and Internal Control*", informed by Senior Management Assurance Statements produced by all Directors, where most of these statements/assurances evidenced full compliance with the principles of good governance.

4.13    It should be noted that following an Internal Audit of Risk Management in 2021/22 (when 'reasonable assurance' was reported), that all associated 'low risk' recommendations have been actioned and previously reported 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 Governance Committee inform future developments.

## Other options
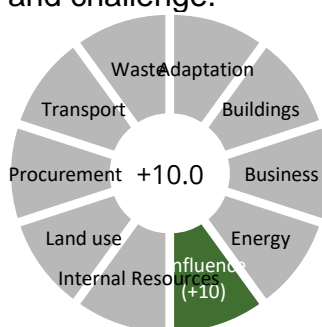
6.1 None.

## Financial and value for money issues

7.1 None directly arising from this report. Financial risks are contained 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 Where appropriate effective risk identification and management (both threats and opportunities), assist in raising the profile on climate change and providing another opportunity for review and challenge.

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## Socio-Economic implications

10.1 None directly arising from this report.

## Other significant implications

11.1 None.

**This report has been approved by the following people:**

| Role | Name | Date of sign-off |
|---|---|---|
| **Legal** | Emily Feenan - Director Corporate governance, Procurement and Property | 22/12/2023 |
| **Finance** | Alison Parkin - Director of Finance (S151) | 22/12/2023 |
| **Service Director(s)** | | |
| **Report sponsor** | Heather Greenan – Director of Corporate Management | 22/12/2023 |
| **Other(s)** | Richard Boneham – Head of Internal Audit (DCC) & Head of the Audit Partnership | 05/01/2024 |

| Background papers: | Year-end risk assurance report (Item 8) - Meetings and events (derby.gov.uk) |
|---|---|
| List of appendices: | Appendix 1 - Risk Management Strategy Assurance Review |
| | Appendix 2 – Risk Assurance - Strategic Risk Register Mid-Year Assurance Review |