AUDIT AND GOVERNANCE COMMITTEE
25 January 2023

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

ITEM 08

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 through the refresh of the Risk Management Strategy and Handbook in 2023.

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   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 in early 2023.

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:
       - Guidance on **risk escalation and de-escalation** developed to aid risk
         identification and analysis.
       - **Sign-off** arrangements included within registers to strengthen oversight and
         governance.
       - **Draft risk appetite statements** are in place.
       - Review and alignment of risk registers, including strengthening our **risk register
         templates.**
       - **Strengthening programme and project risk assurance activities** through the
         implementation of the Project Management Platform, alongside the development
         of an Assurance and Development Group to underpin the Programme
         Management Office Board (PMO).
       - We have **introduced 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.
       - **An initial self-assessment of risk maturity has been undertaken,** with more
         details presented in paragraphs 4.16 and 4.17.

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	- 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	- 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

Source of assurance	How they provide assurance
Independent review – internal or external	• 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

4.6   Presented in **Appendix 2**, is an overview of Derby's strategic risk register, as was reported to Cabinet in November 2022 (representing updates as at the end of September 2022 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. These are monitored and reviewed through targeted discussions with risk owners, through lead boards and/or working groups alongside the Strategy and Performance service.

4.9   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   It should also be noted, that over the last 6-months we have introduced assurance reviews where risk scores remain unchanged, to seek assurance that the context for the risk remains the same, consider the accuracy of the definition and the adequacy of controls.

4.11   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 mitigations.

4.12   Presented below is a summary of targeted risk assurance activities completed between July and November 2022, in line with our Risk Handbook, alongside a summary of findings.

Strategic Risk	Type of review	Outcome / findings
SR22_CR24 - Capacity within some teams to deliver core services, and in some instances meet statutory duties	Assurance review Reviewed by the Corporate Risk Management Group in August 2022	Risk closed; informed by a review of how risks are represented within directorates and departments
SR21_CR22- Levels of emotional health and wellbeing amongst council colleagues	Performance review completed in November 2022	Findings to be considered by SLT, to inform further mitigation opportunities

Strategic Risk	Type of review	Outcome / findings
SR27_PS20 - Diminished outcomes for Derby's children and young people	Reviewed by the Corporate Risk Management Group in August 2022	Risk to be redefined and de-escalated to department level
SR18/P13- Increase in number of individuals / households 'in need' during and after COVID	Risk recommended for closure in quarter one and subsequently reviewed by the Corporate Risk Management Group in August 2022	Risk closed, with appropriate risks within Children's and Adult's updated, alongside the development of a cost of living risk register
SR19/CP12 - Reduction of Business Resilience impacted by Covid19	Risk proposed for closure, reviewed by the Corporate Risk Management Group in August 2022 and recommended to close on the Strategic Risk Register with any present threats reviewed and re-defined from a cost of living perspective	Reflected within the cost of living risk register
SR8/CR7 - Data and records management	Risk subject to a targeted review completed by the Risk Owner and Assurance Team	Two new risks added - (Compliance with the FOI act & Compliance with Data Protection legislation)
SR26/CP15 - Inability to meet statutory duties for accommodation-based support for domestic abuse	Risk reviewed by the Corporate Risk Management Group in October 2022	The risk was reviewed and redefined to also represent male victims
N/A	Review of all risks pertaining to Adult Social Care Risks	Review and re-defining of relevant strategic and directorate risks, which are also informing the Derbyshire ICB programme risk register
N/A	Cost of living risk register developed	Informed the development of the Cost of Living Strategy and Action Plan
N/A	Targeted project risk reviews: • Private Cloud Infrastructure • SEND living my best life • Campuses of the Future	Strengthened risk and opportunity identification, analysis and management

4.13 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 on our strategic risks.

Risk Management Strategy and Handbook refresh

4.14 The current Risk Management Strategy and Handbook are scheduled for review and re-publication in 2023.

4.15 It should however be noted that the timescales for this have been delayed ensuring alignment with any proposed changes pertaining to services and risk within the Medium Term Financial Strategy proposals; particularly with respect to our risk appetite and tolerance.

4.16   In the interim, a review of the current handbook and strategy has been completed, with many of the recommended areas for development contained within Appendix 1, against key themes within our framework. This has been informed by a draft self-assessment of our risk maturity, a working summary of which is presented below:

What are we doing well?	Opportunities for development
• Risk Management Strategy and Handbook in place, with regular communication with colleagues on this alongside reviews of 'compliance and impact' via regular assurance reviews • The Strategy and Performance, Assurance Team provides leadership, guidance and oversight to aid effective implementation of risk management frameworks • Risks are anticipated and effectively recorded to enable senior oversight and management • The management of risk (both threats and opportunities) is being used as an important tool to inform and improve performance in all areas of the business including strategic decision-making, financial and operational planning • We seek to learn from events, and this shapes future activities, an area that has been strengthened from a programme and project perspective over the last 12-months • There are formalised processes in place for risk identification, analysis, monitoring and reporting that are in line with our Strategy • Indicators to flag or inform on changes in the status or trend of significant risks have been identified and are routinely monitored; and reporting of risk is aligned with performance and projects to strengthen this • Risks are not just allowed to occur, and we seek to consider risk management activities beyond compliance • There is alignment of the internal audit programme to the strategic and directorate risk registers; shaping the foundations of our wider assurance framework • Senior managers receive clear information on the status of key risks and emerging risks • All relevant managers and stakeholders have been made aware of the purpose and benefits of risk management • Senior managers play an active role in building a strong risk management culture, proactively seeking assurance from risk owners on the effectiveness of mitigations	• There is a strengthened and routine training offer • Risks associated with working in partnership with other organisations and there is a shared understanding of any key risks arising from significant partnership relationships • Derby's risk appetite is understood by all levels of the organisation and used to inform and assist decision-making and planning; with the benefits of risk management understood by all • Risk maturity is routine and consistent across all service areas

4.17   Overall, at the time of the initial assessment (October 2022) the provisional evaluation of Derby's current level of risk maturity was *'proactive and engaged, moving towards optimized and embedded'*.

4.18   Key to achieving an optimized and embedded culture is the publication of risk appetite statements that shape our decision making, and these will be published alongside the updated Risk Management Strategy and Handbook in 2023.

4.19   The following outstanding Internal Audit recommendations will also be addressed as part of the publication of the updated Strategy and Handbook…
- 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.
- 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.
- 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.
- The risk maturity level of the Council was not clearly evidenced or being regularly assessed.

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
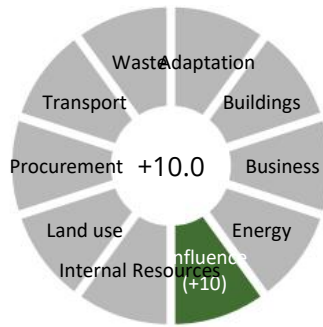
6.1   None.

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.

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 of Legal, Procurement and Democratic Services and Monitoring Officer	15/12/2022
Finance	Simon Riley - Strategic Director of Corporate Resources & S151 Officer	05/01/2023
Service Director(s)		
Report sponsor	Heather Greenan – Director of Policy, Insight and Communications	04/01/2023
Other(s)	Richard Boneham – Head of Internal Audit (DCC) & Head of the Audit Partnership	05/01/2023

Background papers:	Year-end risk assurance report (Item 9) - 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