

Appendix A4

Audit Committee 1st October 2024



Report of: Director of Finance

Title: Risk Management Annual Report 2024/25

Ward: Citywide

Officer Presenting Report: Joachim Adenusi PHD

Recommendation

The Audit Committee note the report, and actions taken in 2023/24 and those proposed for 2024/25 to improve the effectiveness of risk management across the organisation.

Summary

This report presents a summary of risk management activities during 2023/24. It covers the background to the Council's approach to risk management and progress being made against improving the risk management maturity of the organisation.

The significant issues in the report are:

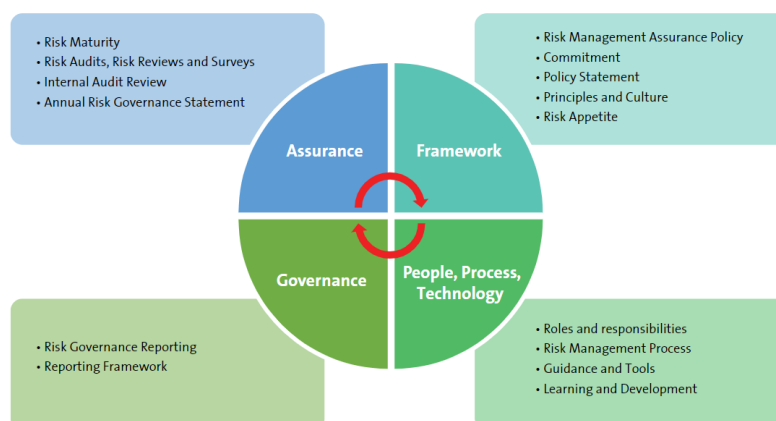
Embedding and improving Risk Management practices across an organisation takes time to implement. The 2023/24 annual internal audit of risk management gave a stronger reasonable assurance being an improvement from 2022/23 reasonable assurance of risk management practice across the Council. This is driven by positive progress made with improvements to risk management arrangements in the nine months since our previous review including implementation of 10 out of 11 actions from our 2022/23 Risk Management Audit Actions recommended by KPMG. This is a major improvement from the last two to three years of limited assurance ratings.

This report provides detail on actions taken and plans delivered in 2023/24 that helped to improve the effectiveness of risk management across the Council. The Council's Risk Management Assurance Policy is refreshed periodically including recently in 2021 and will be again in 2024.



1. Policy

- 1.1. The Council's risk management assurance policy was approved in 2018 and sets out the Council's commitment to effective risk management to support delivery of the aims of the organisation and in delivery of critical services. The figure below sets out the key aspects of the Risk Management Framework.



2. Consultation

- **Internal** - Executive & Service Directors, and Deputy Mayor – Finance, Governance & Performance
- **External** – None

3. Context

- 3.1. Risk management is the planned and systematic identification, analysis, evaluation, prioritisation and control of opportunities and risks that challenge the resources, reputation, and objectives of an organisation. It enables the Council to effectively manage strategic decision making, service planning and delivery to safeguard the well-being of its stakeholders and increases the likelihood of achieving its outcomes.
- 3.2. The Accounts and Audit Regulations 2015, specifically requires the Council to have in place effective arrangements for the management of risk. Effective risk management is an essential element of good management and a sound internal control system, and a key contributor to good governance and the Annual Governance Statement (AGS).
- 3.3. The Audit Committee has responsibility for providing independent assurance for Members over the adequacy of the risk management framework and the associated control environment. They have a critical role in establishing the environment that will allow the effective management of risk to flourish.
- 3.4. The Committee is responsible for overseeing the risk management policy, anti-fraud and anti-corruption arrangements, the effective development and operation of risk management in the Council, progress in addressing risk-related issues reported to the committee, and to be satisfied that the Council's assurance framework accurately reflects the risk environment.
- 3.5. This report summarises the risk management activity undertaken during 2023-24 and supports the Audit Committee in discharging its responsibilities.

Risk Management During 2023-24

- 3.6. During the budget year 2023-24 the Council managed 39 threat risks within the corporate risk register of which 12 deteriorated, 16 improved, while 14 remained the same during the year and all risks remained above the current set tolerance levels. During the year 7 new threat risks were added to the corporate risk register and 17 were de-escalated to Directorate Risk Registers. Thus, 31st of March 2024, there were only 24 corporate threat risks active.
- 3.7. There was only 1 opportunity reported during same year of which same was de-escalated to Directorate Risk Registers. In addition, 3 external and civil contingency threat risks in the corporate risk register and the three were de-escalated to Directorate Risk Registers.
- 3.8. Activities during 2023/24 continued to develop the Council’s approach to risk management moving the Council towards managing risk in a planned informed way.
- 3.9. Reviews of risk management information are undertaken by the Risk and Insurance Team, the team lead operational risk management approaches for the Council, throughout the year the team has supported risk assurance through a range of planned activities.
- 3.10. The following activities were undertaken:
- Quarterly reporting on key strategic risks
 - Continued to manage, maintain and communicate Risk Management on the Source and SharePoint.
 - Provided risk management guidance and support to staff and Members.
 - Pentana risk system (Ideagen) was completely redesigned with structures, enabling users to be more effective at managing own risks.
 - We conducted bespoke risk awareness sessions for colleagues.
 - Introduced Interconnective risk analysis.
 - Supported the year end budget process by estimating potential value at risk to the council as a consideration during 24/25 financial plan.
 - Introduced quarterly DMT Risk Assurance Performance Dashboard
 - Started tracking emerging risks.
 - Implemented 10 out 11 2023/24 audit recommendations.
- 3.11. The following management actions were implemented during the 23/24:

Area	Action	Deadline
Annual risk re-baseline thresholds and assessment	Review of all current corporate risks, validating the mitigation actions and setting new tolerances where necessary	Q1 23/24 (Completed)
Timeliness of risk update and escalation.	Conduct updated risk handling awareness sessions across all DMTs.	Q1 23/24 (Completed)
*Timeliness of risk update and escalation.	Incorporate risk handling within Induction and fresh staff (onboarding) process and ensure mandatory training is completed prior to system access.	Q1 23/24 (Completed)
Timeliness of risk update and escalation.	Within the monthly HOS dashboards and subsequent EDM reports, capture action slippage and stagnant risks scores (above tolerance level) for action and or greater consideration.	Q1 23/24 (Completed)

	Timely reports to be obtained from HR to update the system for leavers and reassign upwards until risks delegation / reassignment occurs.	Q1 23/24 (Completed)
Monitoring of extension to action due dates	Raise awareness with stakeholders via the Q1 workshops and training on the need to justify the basis of moving risk actions dates with appropriate note in the system and equally approved by the line manager. (Completed)	Q1 23/24 (Completed)
	Explore a system reconfiguration which will ensure an explanation is provided where date changes are proposed and workflow arrangements for approvals.	Q2 23/24 (Completed)
Maintenance of risks and actions in Pentana*	Hire additional resources to be committed to support the Risk function and system. (Completed)	Q1 23/24 (Completed)
	Ensure effective system configuration for greater automation and validation prior to accepting input, where data has been omitted.	Q2 23/24 (Completed)
*Risk interconnectivity	Explore the system abilities for risk connectivity and seek to expand functionalities. Providing alignment and clarity regarding risk interconnectivity within the Council.	Q2 23/24 (Completed)
	Strengthen the Council's risk collaborations on common risks across companies where the Council is the majority shareholder.	Q2 23/24 (Completed)
	Carry our updated risk handling awareness sessions and communications across all DMTs.	Q2 23/24 (Completed)
*Integrating Risk Management KPIs	Collaborate with various stakeholders Integrating Risk Management Reporting into Organisational Scorecard	Q4 23/24 (Completed)
Annual Risk Management Report	2023/24 Annual Report to Audit Committee	Q1 24/25 (Completed)

Risk Management Audit 2023/24

3.12. As part of the annual governance review process Internal Audit conduct a review of risk management processes. In the audit conducted in 2023, internal audit has provided a stronger 'Reasonable Assurance' which is an improvement from the 2020/21 'Limited Assurance' opinion regarding progress in the embedding of risk management processes and the current adequacy and effectiveness of the Council's risk management system. The report outlines some recommended actions which have been taken forward in 2024/25 (see the table below).

- 3.13. Whilst Audit noted that satisfactory progress and sound risk management is being made and implemented, internal control and governance processes can still improve further. The team will therefore build on the strong foundations already laid. This allows for ever more effective management of risk. In some areas it is still felt that there are some weaknesses which may put service objectives at risk, but which mitigation can be planned for.
- 3.14. An action plan which considers the progress being made on the residual findings of the 2022/23 audit and seeks to improve the risk maturity of the organisation is detailed below for the committee's consideration. The plan to address 2022/23 findings was agreed for 2024/25 and is set out below.

Table 1 below - includes both the internal audit management actions and risk management activities for the year 2024/25

Area	Action	Deadline
Ensure risks are identified in a timely manner or are scored appropriately. (New from 23/24 management action)	Review quality of all current corporate risks, validating the mitigation actions and setting new tolerances where necessary (equally ongoing)	Q4 23/24 (Completed)
Remove cultural barriers that could inhibit effective management of risk. (New from 23/24 management action)	Embedding culture further through quarterly engagement with the Audit Committee, the CLB, EDMs and DMTs.	Q3 24/25 (In Progress)
Actions and controls put in place to mitigate and manage risks to the Council to be effective.	Ensure that the new starter induction checklist includes risk handling	Q4 23/24 (Completed)
Refresh of BCC Risk Strategy and Framework	To review and refresh the current risk strategy and framework that was last reviewed in 2021	Q4 24/25
Annual risk re-baseline thresholds and assessment	Review of all current corporate risks, validating the mitigation actions and setting new tolerances where necessary	Q1 24/25 (Completed)
Timeliness of risk update and escalation.	Conduct updated risk handling awareness sessions across all DMTs.	Q3 24/25
Timeliness of risk update and escalation.	Within the monthly HOS dashboards and subsequent EDM reports, capture action slippage and stagnant risks scores (above tolerance level) for action and or greater consideration. (In progress)	Ongoing
	Timely reports to be obtained from HR to update the system for leavers and reassign upwards until risks delegation / reassignment occurs.	Ongoing
Clarity over operational risk management	Carry our updated risk handling awareness sessions across all DMTs. Proving clarity regarding what is expected and ensuring that risk treatment actions are SMART and effective with line managers' approval	On going

*Risk interconnectivity	Explore the system abilities for risk connectivity and seek to expand functionalities. Providing alignment and clarity regarding risk interconnectivity within the Council.	On going
Annual Risk Management Report	2024/25 Annual Report to Audit Committee	Q2 25/26
*Risk Communication – Further Learning and Development	Roll out of e-learning across organisation	Q4 24/25
*Monthly service risk update and review	Service workshops with managers to review key risks areas	Ongoing

*Review is underway but will require extra resources to implement this action

Risk Management Annual Plan 2024/25

- 3.15. The planned activities for the forthcoming year are the continuation of the journey of embedding risk management practices in line with best practice and considering the finding of the internal audit report.
- 3.16. A key target area includes providing training for managers with responsibilities for managing risk alongside clear guidance and processes on better use of the Risk management system.
- 3.17. Work will be undertaken to keep ensuring that service planning and risk management are closer aligned to ensure actions are taken to reduce risk where risks exceed current risk tolerance.
- 3.18. Risk process will be further integrated into the budget/financial planning process, transformation programmes and the council's performance management tracking process.

4. Proposal

- The Audit Committee are requested to receive and note the Risk Management update.
- The Audit Committee review and comment upon the Corporate Risk Report (CRR) as a source of assurance that risk management arrangements are in place.

1. Other Options Considered - n/a

2. Risk Assessment

- 2.1. The Risk Management Assurance Policy and the CRR will further develop risk management assessment within the City Council and help the management of risk arrangements embed.

3. Summary of Equalities Impact of the Proposed Decision

- 3.1. No Equality Impact anticipated from this report.

4. Legal and Resource Implications

Legal - Not Applicable

Financial - Not Applicable

Land - Not Applicable

Personnel - Not Applicable

Appendices: None

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers: Risk Management Assurance Policy.