

# Audit Committee

27<sup>th</sup> September 2021



**Report of:** Director of Finance

**Title:** Risk Management Annual Report 2020/21

**Ward:** Citywide

**Officer Presenting Report:** Chief Accountant

## Recommendation

The Audit Committee note the report and actions taken and plans for 2021/22 to improve the effectiveness of risk management across the organisation.

## Summary

This report presents a summary report of risk management activities during 2020/21. 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.

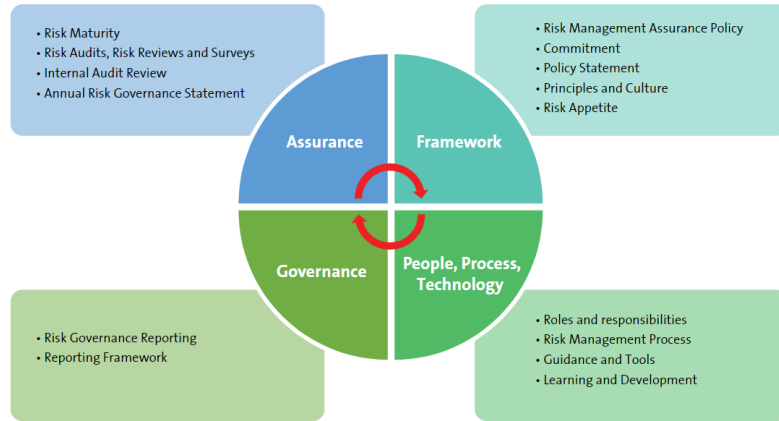
### **The significant issues in the report are:**

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 the aims of the organisation and in delivery of critical services.

Embedding and improving Risk Management practices across an organisation takes time to implement. The 2020/21 annual internal audit of risk management gave limited assurance of risk management practice across the Council. This report provides detail on actions taken and plans for 2021/22 to improve the effectiveness of risk management across the Council.

## 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 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** - Deputy Mayor, Cabinet member for Finance, Governance, Property and Culture

**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 properly reflects the risk environment.
- 3.5. This report summarises the risk management activity undertaken during 2020-21 and supports the Audit Committee in discharging its responsibilities.

### **Risk Management During 2020-21**

- 3.6. During the financial year 2020-21 the Council managed 27 threat risks within the corporate risk register. During the year 4 new risks were added to the risk register and 3 were de-escalated to Directorate Risk Registers.
- 3.7. There were also 4 opportunities reported and 3 external and civil contingency threat risks.
- 3.8. Activities during 2020/21 continued to develop the Council’s approach to risk management moving the Council towards managing risk in a planned informed way.
- 3.9. The role of Corporate Risk Management Group is to review the risk information, identify systematic risk and monitor risk. During the year the role of the group was reviewed for effectiveness and a decision taken to consider an alternative more effective mechanism for achieving these objectives and strengthening the arrangements. These responsibilities have been delivered by the Risk and Insurance Team during the year and following agreement of the revised governance the policy will be updated to reflect the new arrangements.
- 3.10. The following activities were undertaken:
- Quarterly reporting on key strategic risks
  - Managed, maintained and communicated Risk Management on the Source and SharePoint and via Internal Manager Bulletins.
  - Risk management guidance and support available to staff and Members
  - Procurement of a new Risk Management Database.
  - Support for covid response.

### **Risk Management Audit 2020/21**

- 3.11. As part of the annual governance review process Internal Audit conduct a review of risk management processes. In the audit conducted in early 2021, internal audit have provided a ‘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.
- 3.12. Whilst they noted the good progress that had been made over the past 12 months to build a strong foundation for risk management, it was felt that the current governance of risks management was not clearly understood and inconsistencies were evident in the use of the current risk management tools.
- 3.13. Alternative governance proposals are being developed for the Corporate Leadership Board consideration and will be reported to a subsequent meeting of this Committee. An action plan which considers the progress being made on the residual findings of the 2020/21 audit and seeks to improve the risk maturity of the organisation is detailed below for the committees consideration.

### **Risk Management Annual Plan 2021-22**

- 3.14. 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.

3.15. A key target areas include providing training for managers with responsibilities for managing risk and clear guidance and processes partly through the use of the newly implemented Risk management system.

3.16. During 2020/21, 27 individual risks were managed within the Corporate Risk Register, of which 19 either deteriorated or remained the same during the year and all risks remained above the current set tolerance levels. Work will be undertaken to ensure service planning and risk management are closer aligned to ensure actions are taken to reduce where risks exceed current risk tolerance.

3.17. In addition when reviewing the risk management assurance framework we will review the approach to setting and agreeing risk tolerance.

3.18. Key risk management activities are outlined in the table below.

Area	Action	Deadline
<b>Risk Management Policy and Risk Management Framework Review</b>	Review of risk management framework including setting of risk tolerance	March 2022
<b>Strategic Risk Reporting</b>	Facilitation and support of quarterly strategic risk register review. Review of process to ensure closer alignment with performance information.	On-going quarterly reporting
<b>Annual Risk Management Report</b>	2021/22 Annual Report to Audit Committee	June 2022
<b>Risk Maturity Assessment</b>	Completion of the annual risk maturity assessment	December 2022
<b>Learning and Development</b>	Roll out of e-learning across organisation	September 2022
<b>Service risk register workshops</b>	Service workshops with managers to review key risks areas	June 2022

#### 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.

#### 5. Other Options Considered

n/a

#### 6. Risk Assessment

6.1. 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.

#### 7. Summary of Equalities Impact of the Proposed Decision

7.1. No Equality Impact anticipated from this report.

**8. 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.