

Audit Committee

25th September 2023



Report of: Director of Finance
Title: Risk Management Annual Report 2022/23
Ward: Citywide
Officer Presenting Report: Joachim Adenusi

Recommendation

The Audit Committee note the report, and actions taken in 2022/23 and those proposed for 2023/24 to improve the effectiveness of risk management across the organisation.

Summary

This report presents a summary of risk management activities during 2022/23. 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 2022/23 annual internal audit of risk management gave reasonable assurance being an improvement from 2021/22 limited assurance of risk management practice across the Council. This report provides detail on actions taken and plans delivered in 2022/23 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 2023.

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 properly reflects the risk environment.
- 3.5. This report summarises the risk management activity undertaken during 2022-23 and supports the Audit Committee in discharging its responsibilities.

Risk Management During 2022-23

- 3.6. During the financial year 2022-23 the Council managed 27 threat risks within the corporate risk register of which 5 deteriorated, 7 improved, while 12 remained the same during the year and all risks remained above the current set tolerance levels. During the year 6 new threat risks were added to the corporate risk register and 3 were de-escalated to Directorate Risk Registers.
- 3.7. There were also 2 opportunities reported of which 1 of was completed. In addition 3 external and civil contingency threat risks were added to the corporate risk register.
- 3.8. Activities during 2022/23 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 was further embedded by running bespoke awareness sessions for colleagues.
 - Conducted risk refresh Maturity Workshops with DMTs and at senior level with EDM's.
 - Implementing 2021/22 audit recommendations

Risk Management Audit 2022/23

- 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 2022, internal audit has provided a '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 2023/24 (see the table below).
- 3.12. Whilst Audit noted that good 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.
- 3.13. 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 2023/24 and is set out below

Table 1 below - includes both the internal audit management actions and risk management activities for the year 2023/24

Area	Action	Deadline
Refresh of BCC Risk Strategy and Framework	To review and refresh the current risk strategy and framework that was last reviewed in 2021	Q4 23/24
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.	Carry out updated risk handling awareness sessions across all DMTs.	Q1 23/24 (Completed)
*Timeliness of risk update and escalation.	Incorporate risk handling within Induction and new staff (onboarding) process and ensure mandatory training is completed prior to system access.	Q1 23/24 (Change to Q3)
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)	Q1 23/24 (Change to Q3)
	Timely reports to be obtained from HR to update the system for leavers and reassign upwards until risks delegation / reassignment occurs. (80% completed)	Q1 23/24 (Change to Q3)
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 23/23 (Completed)
	Explore a system reconfiguration which will ensure an explanation is provided where date changes are proposed and workflow arrangements for approvals. (50% - in progress)	Q2 23/24 (Change to Q3)
Maintenance of risks and actions in Pentana*	Hire additional resources to be committed to support the Risk function and system. (Completed)	Q1 23/23 (Completed)
	Ensure effective system configuration for greater automation and validation prior to accepting input, where data has been omitted. (30% - in progress)	Q2 23/24 (Change to Q3)

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.	Q2 23/24 (Change to Q4)
	Strengthen the Council's risk collaborations on common risks across companies where the Council is the majority shareholder.	Q2 23/24 (Change to Q4)
	Carry our updated risk handling awareness sessions and communications across all DMTs.	Q2 23/24 (Change to Q3)
*Integrating Risk Management KPIs	Collaborate with various stakeholders Integrating Risk Management Reporting into Organisational Scorecard	Q4 23/24
Annual Risk Management Report	2023/24 Annual Report to Audit Committee	Q1 24/25
*Risk Communication – Further Learning and Development	Roll out of e-learning across organisation	Q3/4 23/24
*Monthly service risk update and review	Service workshops with managers to review key risks areas	Ongoing

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

Risk Management Annual Plan 2023/24

- 1.1. 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.
- 1.2. 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.
- 1.3. 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.

2. 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.

3. Other Options Considered

n/a

4. Risk Assessment

4.1. 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.

5. Summary of Equalities Impact of the Proposed Decision

5.1. No Equality Impact anticipated from this report.

6. 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.