

Audit Committee – 27 July 2020

Risk Management Update – Strategic Risk Register

1. Summary of report

The purpose of this report is to update Audit Committee with regards to recent risk management activity, and the development of a Covid-19 related strategic risk section of the Strategic Risk Register (SRR). This report also provides an update on feedback on the implementation of the existing Risk Management Strategy and the proposed additions to the Risk Management Framework. Detail on each of these areas is set out in the report below.

2. Recommendations

- 2.1 That Audit Committee note and comment on the Covid-19 related strategic risks section that has been developed and incorporated in to the Strategic Risk Register (SRR), set out at Appendix 1.
- 2.2 That Audit Committee note the feedback on the implementation of the Risk Management Strategy and the further actions agreed by the Corporate Management Team (CMT).

3. Background

- 3.1 Recent risk management activity has been carried out to ensure that the SRR takes account of the developing Covid-19 picture.
- 3.2 The work also sought to identify improvements to directorate processes to support both the implementation of the Risk Management Strategy and how this interacts with the SRR to ensure that the Strategy remains appropriate, both within the current climate and against the Council's priorities.

4. Resource and Legal Consideration

- 4.1 Audit Committee's responsibility for risk management includes the following:
 - Reviewing the mechanisms for the assessment and management of risk;
 - Giving assurance about the process;
 - Ensuring the Council meets its statutory requirements, as stipulated within the Accounts and Audit Regulations 2015 (reg. 4(1), "the relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk".
- 4.2 Audit Committee is also required to ensure that it receives reports on risk management on a regular basis and takes appropriate action to ensure that strategic business risks are being actively managed. This report enables Audit Committee to exercise its responsibilities in respect of risk management by

reviewing the current SRR; calling in key business risks for review; and seeking assurance that risk management is thoroughly embedded within the organisation.

- 4.3 Walsall Council's system of internal control comprises the policies, procedures and practices, as well as organisational culture that collectively support the Authority's effective operation in the pursuit of its objectives. The risk management, control and governance processes enable the Authority to respond to significant business risks, be these of an operational, financial, compliance or other nature, and are the direct responsibility of CMT.

5. Citizen Impact

- 5.1 There are no implications directly related to this report.

6. Performance and Risk Management Issues

Covid related Strategic Risks

- 6.1 The current Covid-19 crisis and its fluid nature presents clear risks for the Council. The SRR was compiled prior to the current situation with Covid-19, and a pandemic of this nature is not included within it, therefore work has been undertaken to review and incorporate a new section highlighting strategic Covid-19 related risks.

The risks have been compiled in close liaison with Silver / Bronze work stream leads who have contributed significantly to the development of the risks, linked to a number of reports to Cabinet relating to Covid-19 that were presented on 19 May 2020. These risks are attached at Appendix 1.

CMT reviewed and approved these strategic risks at their meeting on 18th June 2020.

Feedback on the implementation of the Risk Management Strategy

- 6.2 The current Risk Management Strategy was approved by CMT and Audit Committee in January 2019 along with a work plan for its implementation for the period up to January 2020.

As we are now at the end of this work plan period it has proved useful to undertake a 'lessons learnt' exercise to highlight strengths and potential areas for improvement with regard to the ongoing development and implementation of the Strategy. This has highlighted the following:

Strengths	
1. Directorate Risk Registers (DRR)	When these have been provided in line with the Strategy requirements, they indicate risks are being managed effectively with appropriate actions being taken i.e. changes in status / score / position / actions.
2. Audit Committee 'Deep Dives' of Strategic Risks	<p>Requests from Audit Committee for attendance from strategic risk leads to provide further detail on position / actions is an example of good practice.</p> <p>At the September 2019 meeting of Audit Committee, Members requested more detailed assurance from the Executive Director of Resources and Transformation with regard to two strategic risks (relating to WPP and changes in the political environment as a result of Brexit).</p> <p>The 'deep dive' was subsequently trialled at the December 2019 meeting of Audit Committee and is considered to be an example of good practice, giving Members increased assurances via the ability to challenge and discuss risks in more detail.</p>
Areas for Improvement	Recommended actions
3. Directorate Risk Registers – there is a lack of consistency in some directorates in meeting requirements – with those directorates who regularly and actively update and have risk as a standing agenda item for discussion at DMT having met the work plan and strategy deadlines.	<p>3.a. Risk champions to be identified within remaining directorates (R&T) and re-confirmed in other directorates to ensure they continue to remain the most appropriate officer.</p> <p>3.b. Ensure reviews of DRR's are a standing item on all DMT agendas.</p> <p>3.c. Consider the formation of a Strategic Risk Management Group (led by the Directors Group and consisting of risk champions and corporate risk management support) which will lead on:</p> <ul style="list-style-type: none"> • Driving consistency across all four directorate risk registers; • Ensuring compliance with quarterly reporting deadlines; • Acting as a more formal link between the directorate, Proud programme and strategic risk management activities; • Supporting the monitoring, review and update of 'council-wide' risks and the resulting update of the SRR.

Areas for Improvement	Recommended actions
4. Continuation of Audit Committee 'Deep Dives' of Strategic Risks	4.a. Support Audit Committee to continue to identify further strategic risks for deep dive discussions
5. Strategic Risk Register -There is a lack of consistency in terms of regular updating, with SRR leads relying on input from others with competing priorities	5.a. Consider utilising the Strategic Risk Management Group (as above, if supported) to support and co-ordinate the update of the SRR.

6.3 All recommended actions were agreed by CMT.

7. Equality Implications

7.1 There are no implications directly related to this report.

8. Consultation

8.1 Silver / Bronze work stream leads have been consulted with and contributed significantly to the development of the Covid-19 related strategic risks. CMT approved these at their meeting on June 18th 2020.

9. Background Papers

Previous reports on Risk Management presented to Audit Committee

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Covid-19 Strategic Risk Register 2020/21



June 2020

No.	Risk <i>Cause and Effect</i>	Link to Strategic Risk Register <i>Lead</i>	Existing Controls <i>Assurances</i>	Impact	Likeli- hood	Risk score	Status & Trend	Further Actions/Planned Mitigations	Deadline
1	Threats to the Economic Growth of Walsall resulting from the impact of Covid on the Walsall and wider economy and additionally any inability to promptly support small and sector specific businesses through Government grant funding <ul style="list-style-type: none"> Delays in administering government grant programmes results in local business suffering from cash flow issues, putting their longer term sustainability at risk. Business Rate income under threat as a result of weakening markets, reducing business confidence and Business Rate Holiday for 2020/21. Eligible businesses miss out, due to lack of information / knowledge together with restricted funds being made available by government, so do not receive the grant funding they require. Grants are paid to ineligible businesses through fraudulent applications. Breach of State Aid rules resulting in possible clawback responsibilities. Resultant economic uncertainty weakens the investment market together with reduced income for the Council. Changes in shopping habits threaten town and district centres. <p><i>The effect would be reduced future income streams for the council, increased unemployment and reliance on services from the community, reduced aspirations for next generation.</i></p>	SRR 1 Mark Lavender	<ul style="list-style-type: none"> Contacting businesses quickly and implementation of automated portals to administer Government's grant funding / relief programmes. Marketing and contacting businesses individually to promote applications undertaken. Application of 100% business rate holiday for all retail, hospitality and leisure businesses for 2020/21. Use of Government's Grant Management and Counter Fraud digital assurance tool, and external agency to assist with verification checks. Identifying suppliers at risk of collapse and implementing actions in line with Cabinet Office PPN 02/20. Cross departmental team approaches established to administer the grants programmes. 	Current Score				<ul style="list-style-type: none"> Launch of the Government new Discretionary Grants programme successfully made on the 4th June and now receiving applications. Conversations with government taking place to seek additional funding for the Discretionary grants programme. 	Due to close 26 th June Ongoing
				3	3	9	Amber		
				Target Score					
				2	2	4	Green		

Covid-19 Strategic Risk Register 2020/21



June 2020

No.	Risk	Link to Strategic Risk Register	Controls	Impact	Likelihood	Risk score	Status & Trend	Further Actions	Deadline
	<i>Cause and Effect</i>	<i>Lead</i>	<i>Assurances</i>						
2	The Proud Programme ceases to progress at the required pace during the period of disruption. <ul style="list-style-type: none"> • Lack of improved outcomes and customer experience; • Reduced employee satisfaction and engagement; • Lack of improvements in service efficiency and performance; • Delay in the delivery of savings, leading to reduction in financial benefits delivered in 2020/21; • Cost implications arising from specialist interim support costs; • Further contractual variations may be required. <p><i>The effect would be that costs of service provision remains above optimum level and opportunity cost of this cannot be removed. The Council would not become fit for purpose to face future challenges.</i></p>	SRR 2 Penny Mell	<ul style="list-style-type: none"> • Review of programmed activity to end of June to determine those activities which can continue and those which should be delayed. • Continuous monitoring over coming weeks and months. • Programme level risks captured at Programme level and within individual work streams. • Procurement advice will be sought from Procurement Team when there is further understanding of any proposed changes. 						
				Current Score					
				4	3	12	Red	<ul style="list-style-type: none"> • Updated status report of outcomes from review to CMT. • Integral part of Reset Framework, with the Director of Transformation on the Working Group which meets twice a week. 	July 2020 Ongoing – December 2020
				Target Score					
				3	3	9	Amber	<ul style="list-style-type: none"> • Proud actions included on the weekly CMT agenda. • Continuous monitoring 	Weekly Ongoing

Covid-19 Strategic Risk Register 2020/21



June 2020

No.	Risk	Link to Strategic Risk Register	Controls	Impact	Likelihood	Risk score	Status & Trend	Further Actions	Deadline
	<i>Cause and Effect</i>	Lead	<i>Assurances</i>						
3	Partnership relationships with other sectors and our major suppliers fail to deliver on shared objectives and therefore outcomes for the community. <ul style="list-style-type: none"> Weak relationships with Partners- provider relationship breakdown, absence of trust; Lack of supply chain resilience / suppliers of services in market; Provider fails; Financial pressures in other sectors reduce the resources they can deploy; <p>The effect of this risk materialising would be increased future costs for the Council to deliver the same or reduced services or service disruption due to provider or contractor failure.</p>	SRR 3 Kerrie Allward Mark Lavender	<ul style="list-style-type: none"> Cross directorate working group established. Identifying suppliers at risk of collapse (through review of contract registers) and implementing actions in line with Cabinet Office PPN 02/20. Change in payment method to Adult Social Care providers to provide ongoing cash flow and sustainability. 	Current Score				<ul style="list-style-type: none"> Implementation of 'additional expenses' process Business continuity arrangement and open book accounting exercise to be conducted to support continuity of provision/safe exit from the market 	August 2020
				4	5	20	Red		August 2020
				Target Score				<ul style="list-style-type: none"> Resetting the provider relationship – through regular communication channels i.e. continuation of weekly Skype calls, development of FAQ and move to focus on reintroduction of virtual forums and individual Commissioning Manager/Provider relationship meetings 	August 2020 onwards
				3	3	9	Amber		

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June 2020



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	<i>Cause and Effect</i>		<i>Assurances</i>						
		Lead							
4	The Council is unable to maintain service standards to support the most vulnerable in society. <ul style="list-style-type: none"> Adults and Children in specific circumstances are not adequately supported and are left at risk due to the necessary changes in service delivery – intelligence around vulnerable children and adults is not robustly captured or joined up. Lack of re-engagement with service users who have chosen to self-support during Covid-19. Breakdown in communication with partner organisations Increase in demand through the front door, which is compounded by cases not exiting the service, impacting on capacity to respond. Failure to provide additional grant funding to the Community and Voluntary Sector would impede their ability to provide ongoing support to the Council. <p><i>The outcome could be death or harm to an individual known to or under the care of the authority and partners or shielded/self isolating local people, which would reduce moral and cause reputational damage.</i></p>	SRR 4 Colleen Male Karen Jackson Paul Gordon	<ul style="list-style-type: none"> Co-ordination of response to ensure the continuation of council services. Management of sickness and deployment of staffing resource to priority areas. Use of significant investment in IT to allow the workforce to work remotely and continue to provide services. RAG rating of all cases to identify immediate need, and ongoing review. Meetings continue to take place virtually. All Statutory Safeguarding responsibilities continue to be fulfilled. Application of Resilient Communities approach (working with Community associations and other partners) to ensure a strong support network for shielded and vulnerable people. Application of the Government's Hardship Fund. Continuing to provide Free School Meals. Care Act easements are well understood and reviewed in line with the guidance. 	<div>Current Score</div> <div>4</div>	<div>Current Score</div> <div>4</div>	<div>Current Score</div> <div>16</div>	<div>Current Score</div> <div>Red</div>	<ul style="list-style-type: none"> Continued service delivery Shielded Team to be aligned with Community Hubs and resilience work On-going review of Business Continuity Plans in line with Reset Planning 	On-going In line with timeline for Reset Planning work
				<div>Target Score</div> <div>3</div>	<div>Target Score</div> <div>3</div>	<div>Target Score</div> <div>9</div>	<div>Target Score</div> <div>Amber</div>	<ul style="list-style-type: none"> Weekly Safeguarding Partnership briefings to coordinate work across the partnership Access to workshops and webinars to share information across the workforce and promote staff well-being Completion of workplace and individual risk assessments to support reset planning Return of Mash and IRS to the Civic Centre to ensure effective and coordinated responses to any increase in demand. Ongoing care assurance calls with ASC service users who have elected to self-support during covid-19 as required COVID-19 action plan developed to monitor and manage all 	Weekly Ongoing July 2020 June 2020 Ongoing Ongoing

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June 2020

No.	Risk	Link to Strategic Risk Register	Controls	Impact	Likelihood	Risk score	Status & Trend	Further Actions	Deadline
	<i>Cause and Effect</i>	Lead	<i>Assurances</i>						
								<p>mitigations and controls in relation to covid-19 and reset</p> <ul style="list-style-type: none"> Legal updates on Care Act easements circulated to all ASC staff. Clear framework and statement for decision making published on the internet. 	June 2020

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June 2020

No.	Risk	Link to Strategic Risk Register	Controls	Impact	Likeli-hood	Risk score	Status & Trend	Further Actions	Deadline			
	<i>Cause and Effect</i>	Lead	Assurances									
5	The Council is having to make decisions that have a significant financial impact without a guarantee that the costs will be fully compensated for by the Government. <ul style="list-style-type: none">Significant loss of income following closure of services and facilities;Significant additional expenditure relating to the council's response to Covid-19;Insufficient cash flow and funds to meet obligations in the short term;Delays to Proud Programme savings have an impact in 2020/21 and 2021/22 and a potential “knock-on” effect for future years budgets beyond 2021/22;Delays to ability to implement Capital Programme schemes potentially impacting on future savings initiatives and capital receipts. <i>The effect of this would be to have to use reserves to balance the budget putting future stability and sustainability of finances at more risk. There may be the need for the authority to institute a S114 process and to set even more challenging savings programmes to address the Covid-19 impact, which would affect services, result in reputational damage and a reduction in services to residents.</i>	SRR 7 Vicky Buckley	<ul style="list-style-type: none">Receipt of Covid-19 un-ring-fenced response funding, and ongoing discussions with MHCLG regarding potential for additional Government support to councils.Receipt of ring-fenced infection control, Hardship funds for specific services is helping to support those specific areas of additional cost.Close management and reporting of costs, loss of income and indirect impacts through CMT Leader and Cabinet.Implementation of a robust process for approving additional Covid-19 related spend (Silver and Gold).Monthly financial returns to MHCLG which have been checked for consistency with other Local Authorities in the Region.Cabinet approval for management of reserves as necessary.Cabinet approval for pooling of un-ring-fenced allocations and any windfall income to be used as necessary by the council's S151 Officer.Daily monitoring of cash flow position to provide an update of cash flow forecast for the year.Establishment of detailed financial Risk register, updated weekly.	Current Score				<ul style="list-style-type: none">Continued engagement in MHCLG monthly financial returns to ensure scope of the financial impact is understood by Government.Continued dialogue with government both directly and collectively with peer groups (LGA / SIGOMA) to gain confirmation of additional Government support / funding options.	Monthly			
				4	4	16	Red			<ul style="list-style-type: none">Weekly reporting of financial impact to GOLD as part of Sitrep update, monthly reporting to CMT and quarterly to Cabinet as part of financial performance updates.Continued monitoring of cash flow position.Monitoring of impact on council tax and business rates collection performance and identification of any associated financial impact.Refresh of Budget Framework report to take account of Covid impact and reporting to Cabinet.If funding is not provided to fully cover any financial impact, then the council will need to consider other actions, including identifying further alternative savings options, and emergency budgets for reporting / consideration / approval by members, and the need for any S114 process, following the updated guidance provided by CIPFA to enter in to dialogue / conversations with MHCLG prior to issuing any formal S114 notice.There is an opportunity to consider different future ways of working including our approach to home working, estate planning etc, to reduce costs on an ongoing basis.		
				Target Score				3	3		9	Amber

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No.	Risk	Link to Strategic Risk Register	Controls	Impact	Likeli-hood	Risk score	Status & Trend	Further Actions	Deadline
	<i>Cause and Effect</i>	Lead	<i>Assurances</i>						
6	The Transition from emergency response to business resetting and recovery does not encompass lessons learnt and good practice experienced during the pandemic period. <ul style="list-style-type: none"> Trying to recreate “how it was” in the reshaping and resetting phase; Lack of understanding of what went well and how to build on it; Lack of management of Walsall Proud Programme interdependencies; Failure to plan effectively for the health , well-being and safety of the workforce; Failure to put in place necessary safety measures to ensure the resetting of business within Covid-19 secure workplaces. <p><i>The effect of this would be a missed opportunity to develop new ways of working and capture innovation required to achieve the objectives of the Walsall Proud Programme.</i></p>	SRR 2 Andrea Potts	<ul style="list-style-type: none"> Reset Framework, endorsed by Cabinet, in place to guide planning, actions and responses. A cross directorate reset working group, including representation from WPP to ensure links to that programme, will report to and take direction from the reset board (CMT). Co-ordination with the WMCA. 	Current Score				<ul style="list-style-type: none"> Covid Service Reviews with all services to identify opportunities and risks and plans required to move those forward within framework process agreed by Cabinet Implementation of Covid Service Review plans Reset staff survey to understand and respond to workforce concerns , anxieties and suggestions Refresh of FAQ's to respond to any specific issues / concerns as they arise Regular communication with TU colleagues and corporate comms on reset thinking , direction and actions Covid secure risk assessment for all buildings / services and individual risk assessments for vulnerable employees Reduced building capacity to ensure social distancing / government guidance and prioritisation of services that cannot work remotely Signage, screens , one way systems , hand sanitisers etc 	July 2020
				4	3	12	Red		August 2020 onwards
				Target Score					
				2	2	4	Green		July / August 2020
									Ongoing
									Monthly
									Ongoing and prior to building based returns
									Ongoing and prior to building based returns
									Ongoing and prior to building based returns

No.	Risk <i>Cause and Effect</i>	Link to Strategic Risk Register	Controls <i>Assurances</i>	Impact	Likelihood	Risk score	Status & Trend	Further Actions	Deadline
7	Increased exposure to fraud and legal challenge due to emergency governance steps taken. <ul style="list-style-type: none"> Decisions are made at speed and without complete information, leading to potential unintended consequences; Reduced levels of control in place within authorisation processes; Lack of segregation of duties putting officers and the organisation at risk of complaint or litigation. Increased opportunity for phishing, scams etc around business rates in particular. 	- Tony Cox Vicky Buckley	<ul style="list-style-type: none"> Guidance with regard to Executive decision making by the Leader and officers approved and circulated at the start of the lockdown. Gold and Silver command meeting structure set up to manage the impact of the Covid-19 crisis. Roll –out of ICT equipment to enable virtual meetings as soon as the government enacted the necessary legislation. Use of Government’s Grant Management and Counter Fraud digital assurance tool, and external agency to assist with verification checks prior to payment of business grants funding to businesses. New authorisation process put in place for additional expenditure requests. Liaison between services and Internal Audit regarding ability to amend controls in certain circumstances. Implementation of revised invoice approval process in support of remote working. Reminders form communications and on website about increased risks. 						
				Current Score					
				2	3	6	Amber		
				Target Score					
				2	2	4	Green		
								<ul style="list-style-type: none"> The Council will continue to review its governance arrangements as it has done throughout the Covid 19 crisis and will make changes after reviewing all the circumstances at this time of uncertainty to ensure lawfulness, openness, and transparency. A major review of the current arrangements are already scheduled to take place in July 2020. This review will take into account the views of all relevant stakeholders, including the Mayor and Deputy Mayor. 	July 2020
								<ul style="list-style-type: none"> Continued use of counter fraud and state aid compliance processes that have been developed for further supplier support responses implemented by government, for instance support to small and micro businesses. 	26 June 2020
								<ul style="list-style-type: none"> Implementation and go live of the council’s new One Source system (integrated HR, Payroll and Finance system) which includes developments which further support remote approval / authorisation of payments via secure workflows. 	8 July 2020
								<ul style="list-style-type: none"> Utilisation of Internal Audit work programme days to support further review of controls in services impacted by Covid. 	June – September 2020

Risk Management Quick Guide

Current (C) – with the current controls/mitigations

Target (T) – the score that brings the rating to within appetite for the risk.

Direction of Travel (Trend):

↓ Risk score reduced ⇔ no change to risk score ↑ risk score increased

Risk appetite level – Risks above this level will need particular resources and focus

Risk Matrix

I
M
P
A
C
T

Risk acceptance level (activity below which attracts minimum effort and resources)

5 Catastrophic					
4 Severe			2C 6C	4C 5C	3C
3 Material			1⇔ 2T 3T 4T 5T		
2 Minor		1T 6T 7T	7C		
1 Negligible					
	1 Rare	2 Unlikely	3 Possible	4 Probable	5 Almost Certain

LIKELIHOOD

Risk Ratings: 1 – 4 = low risk (Green) / 4 – 10 = medium risk (Amber) / 12 – 25 – high risk (Red)

Likelihood and Impact guide.

Likelihood			Impact		
Score 1-5	% chance	Time Frequency	Score 1-5	Disruption to Services and/or Residents affected or aware	Budget
1 Rare	< 10%	Rare occurrence	1 Negligible	Minor disruption to services <i>Up to 5%</i>	>1%
2 Unlikely	10 - 30%	Once in 5 years	2 Minor	1-2 weeks <i>Up to 10%</i>	>5%
3 Possible	30-60%	Once 2 years	3 Material	Up to one month <i>Up to 25%</i>	5-10%
4 Probable	60-90%	Once a year	4 Severe	1 – 3 month <i>Up to 50%</i>	10-20%
5 Almost Certain	> 90%	within 6 months	5 Catastrophic	Over 3 month <i>Over 50%</i>	20%