

Audit Committee – 23 September 2019

Risk Management Update

1. Purpose of Report

- 1.1 To provide Audit Committee, whose delegated role it is to provide independent assurance on the adequacy of the risk management framework and the associated control environment:
- an update on activity since April 2019, which includes the end of quarter one review of the directorate held risk registers; the August review of the Strategic Risk Register; and the actions taken to continue to embed the Risk Strategy approved January 2019.
 - a refreshed Strategic Risk Register.

2. Summary of the report

- 2.1 This report presents an update following the quarter one review of risk registers and provides Members with some Insight into the operational risk registers held by directorates and the council wide risks being managed by the council.
- 2.2 Work has continued since January 2019 in accordance with the approved Risk Management Strategy and the action plans and timetable included within it.
- 2.3 The updated Strategic Risk Register (SRR) is included at Appendix 1 and was approved by Corporate Management Team in September 2019.

3. Recommendations

- 3.1 Audit Committee is recommended to:
- I. Note the assurances provided from this report.
 - II. Note the future actions planned in the coming period.
 - III. Note the updated Strategic Risk Register as at September 2019.

4. Resource and Legal Considerations

- 4.1 The statutory requirements are detailed in the governance section below.

5. Governance and Risk Management

- 5.1 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".

- 5.2 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.
- 5.3 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 the Corporate Management Team.
- 5.4 The Authority needs assurance over the significant business risks set out in the risk management framework. In addition, there are many other stakeholders, both internal and external, requiring assurance on the management of risk and other aspects of the Authority's business - these including Members, regulators etc. There are also many assurance providers. The internal audit function is the third line of defence in the Council's 'three lines of defence approach' to risk and assurance. The first line of defence comprises the Council's core operational services, and the second line comprises the oversight functions such as risk management.

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12 September 2019

6. Background

- 6.1 Work to embed a new approach to risk management in the council has been underway since December 2017, with regular progress reports presented to Members.
- 6.2 There has been a strong commitment at Member and officer level to ensure the risk management framework continues to evolve and strengthen. This is particularly important as the risk profile of council's changes and the challenges the organisation faces continue to increase.
- 6.3 In January 2019 the Audit Committee approved a revised Risk Management Strategy. This contained an action plan to further embed robust risk management activity across the organisation.

7. Update

Activity since April

Implementation Plan

- 7.1 There were two new actions identified in the approved Strategy for April 2019 to September 2019. Both actions were completed as planned. Two actions from the last reporting period were carried forward, one is now complete the other is in progress.
- 7.2 The table below outlines the planned actions and the current status of the actions. The **original action is in bold**; estimated timing in normal text; *actual actions completed are in italics and where applicable revised dates detailed in bold italics*.

Ref	Implementation Action Plan	Estimated Timing By
		----- <i>Revised Timing</i>
2	Review of Transformation Programme Risk Strategy & Risk Registers. Ensuring compliance with the principles of the corporate strategy. <i>Internal Audit has been provided with a Proud Programme Risk Register as part of this review. It complies with principles of the Risk Strategy.</i>	March 2019 <i>Completed August 2019</i>
3	Assurance Maps for High Rated Corporate Risks Completed. <i>Some effort to commence this work has occurred. Meetings are diarised in September to progress.</i>	March 2019 <i>In progress.</i> <i>October 2019</i>

Ref	Implementation Action Plan	Estimated Timing By
		----- Revised Timing
6	Q1 review directorate and transformation risk registers. <i>Complete.</i>	July 2019 <i>August 2019</i>
7	Full Report to CMT including Strategic Risk <i>Complete.</i>	August 2019 <i>September 2019</i>

8. **Operational Risk Registers/Risk Management Activity – quarter one review**

- 8.1 As at July 2019, the Adult Social Care Risk Register had 24 risks (eight Red, 14 Amber and two Green). The risks captured cover operational matters as well as projects and a number link to council wide and strategic risks being monitored and currently reported.

The risks rated green are both within appetite and ‘tolerate’ is the identified action. Amber and red risks all have planned actions to ‘treat’ the risk. Target risk ratings have been identified as well as action to achieve these. A reduction in risk was noted in four cases, showing positive impact from the risk management activity/action plan. Although still Amber, three of these risks are now close to the target rating / appetite level. This reflects the teams’ increased confidence in making risk and resource informed decisions.

There is evidence of risks being removed, merged and new risks being added. December 2019 is noted as the expected date for the target risks to be achieved. Only minor comments for improvement were noted and shared with the directorate. There has been clear progress at every review in terms of how the corporate strategy for risk management has been embedded into business as usual.

There are risks noted around market stability and provider failure rated amber at this time.

- 8.2 The Economy and Environment risk register contained nine risk areas (five Red and four Amber), and target ratings and future action plans were identified for all risks.

Risks types are operational with some linking to wider council wide and strategic risks being monitored and reported.

Seven risk ratings had not changed since the last update. Two risks had increased (Financial (red) and Failure to meet key operating delivery requirements (amber)).

The Risk Register contains a red risk relating to a contract term ending and the need to secure an affordable future solution.

- 8.3 There were twelve risks identified in the Children's Risk Register (Seven Red and five Amber). There continue to be strong links noted between the risks identified and risks at the council wide and strategic level being monitored and reported so this insight has been useful in the review and analysis of those risks.

All the risks rated as amber have been tolerated by the directorate, although it was noted that future action plans are in place for two of the risks.

For all seven red risks a risk appetite had been identified and an action plan noted. For two of the risks, the target risk rating remains in the red rating, the other five targeted risks are rated as amber. April 2020 is the estimated timeline for achievement of the target risk rating.

This risks register contains no specific risks relating to contracts and supply change however there are references within identified risks that reflect the directorate's reliance on their partners and providers to contribute to the shared objectives and the fact that supply chain risks are identified as 'causes' within this higher risk. This risk is rated red.

- 8.4 The Resources and Transformation Risk Register was reviewed in August 2019 in a risk workshop, as the Management Team determined it needed a refresh as a result of the effect of the Proud Programme activity.

The Risk Register contains eleven risks, four operational and seven council wide. Two of the risks fall into both categories (Change Management and Workforce), however it is noted that the council wide change management risk has been closed. This risk is picked up within the Proud Programme risk register, and at the strategic level.

Of the four operational risks, two are red and two are amber. An action plan is in place for each and a target risk rating identified.

The operational risk relating to change management was the only risk to have reduced since the last risk register update. All others had remained at the same risk level, however it should be noted two are within appetite and currently being 'tolerated' by the Management Team.

This risk register contains an amber operational risk for the directorate and a red council wide risk relating to a failure in the supply chain. The inclusion of this risk reflects the risks being reported across the council.

8.5 **Brexit**

Management have confirmed that in line with government requirements a Brexit lead has been appointed. The operational Brexit group was suspended over

the summer, in line with the regional group and the national Brexit groups. Frequency of meetings will now (August) be increased to fortnightly, following national leadership decisions and preparations. Funds are being given to local areas, this will come through the West Midlands Local Resilience Forum for Walsall. Internal Audit have been invited to observe the working group to gain additional assurances regarding risk management activity. The risk register was requested as part of this review cycle, but not yet received. A review of this risk register and attendance at the group will enable a verbal update to Audit Committee to supplement the information available in this report.

8.6 **Proud**

Eleven risks have been identified on the Proud Risk Register. Due to the nature of the change programme, the risk appetite for what will be reported to Board has been set to include risks over 12. Three of the ten risks are deemed to be managed and are being 'tolerated' at this level (risk score 9) by the Board.

Six of the risks had remained at a constant level in the last period. For Proud, reviews will be monthly as opposed to three monthly, as for the directorate risk registers. Two risks had increased (risk 03 skills of workforce rated 12 – amber and risk 08 overreliance on key personnel rated 12 – amber).

Feedback was provided to the programme team following our review, the next updated risk register will be reviewed to ensure feedback has been actioned.

9. **Council Wide Risk themes from Directorate Risk Management Activity**

- 9.1 The table below contains the risks themes that are council wide in nature arising from the directorate risk registers, and the ratings which have been considered as part of the Strategic Risk Register review by CMT. The table seeks to provide Committee with assurance regarding the risks being identified and managed in the organisation and to enable discussion at the point any exceed appetite.

Risk Area	L	I	Rating	Comments from Directorate Risk Register Review
Workforce (HR)	3	2	6 Amber	Three risk registers contain relevant amber rated risks.
Change Management (Transformation)	3	3	9 Amber	Three risk registers have this as amber, there is a downward trend since the Proud programme started.
Sickness Absence	3	3	9 Amber	One risk register has sickness rated amber.
Breach of Data Protection	3	2	6 Amber	Two risk register contains related risk both in the 'tolerate' category.

Supply Chain (Procurement)	4	3	12 Red	<p>Two risk register rates this risk as amber. One as red. The fourth has causes on other red risks related to supply chain. This is noted as a council wide risk on the resources and transformation risk register and rated red. A note on the risks identified in the risk individual registers relating to supply chain has been included in the relevant sections above.</p> <p>This risk has increased in 2019 and is the area of focus selected for first phase of assurance mapping work. One risk register also cites the capacity of legal and procurement to support their business needs as a red risk.</p>
Fraud and Corruption	3	3	9 Amber	<p>One risk register has this rated red. It is included on R&T risk register as Amber as a council wide risk. It has increased in last 12 months.</p>
Savings and finances	2	5	10 Amber	<p>Three risk registers have this risk as red. There are numerous financial risks around savings achievement and service delivery. This risk is also on the strategic risk register for this reason.</p>
Health and Safety	3	3	9 Amber	<p>Two risk registers contains this risk. Both rate it as amber.</p>

10. **Feedback from Corporate Management Team & Strategic Risk Register Review**

10.1 The SRR has been refreshed as part of this cycle of reviewing the risk registers and discussed by the Corporate Management Team at a meeting in September 2019.

10.2 The following actions were agreed but not implemented prior to despatch of Audit Committee reports. The agreed changes will be made in September 2019.

- Risk Three - **Partnership relationships with other sectors and our major suppliers fail to deliver on shared objectives and therefore outcomes for the community** - will be split to focus on both partnerships and market failure, a cross council working group will focus on ensuring the action plan is completed and the risk mitigated efficiently. This action was suggested by officers and is also in response to Red 'supply chain' risks in the directorate risk registers which has not been reduced to date in 2019.
- Risk Four - **The Council is unable to maintain service standards to support the most vulnerable in society** - will be discussed and updated by a cross council working group, and actions to mitigate identified and tracked to completion.
- Risk Five - **External Changes in Political and/or legislative environment** - will be refocused onto the Risks and Opportunities relating to Brexit, as the risk as identified currently has reduced to within appetite.
- Roles and responsibilities with regards Risk Six - **Lack of community cohesion and resilience placing increased pressure on public sector resources**- will be considered as part of the next review cycle.
- The new Director of Public Health will work with Internal Audit to update Risk Nine - **Reduction in public health and social care budgets are a risk as preventive services are lost causing increased demand.**

10.3 The updated SRR is included as Appendix 1 of this report.