

Audit Committee – 23 November 2020

Risk Management Update

1. Summary of report

The purpose of this report is to update Audit Committee with regards to recent risk management activity including the update for the Covid-19 related strategic risk section of the Strategic Risk Register (SRR). This report also provides an update on the Council's Brexit preparations as requested at the last Audit Committee meeting. 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 recent risk management activity, including the Covid-19 related strategic risks section of the Strategic Risk Register (SRR) that has been updated, set out at Appendix 1.

3. Background

- 3.1 Recent risk management activity has been carried out to ensure that the SRR takes account of the ongoing 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

Strategic Risks Update

- 6.1 The current Covid-19 crisis and its fluid nature presents clear risks for the Council. Work has been undertaken to review and update the controls, assurances and future actions set out in the strategic Covid-19 related risks table.

The risks have been updated in close liaison with Silver / Bronze work stream leads and contain actions and developments that have taken place since July 2020. These risks are attached at Appendix 1.

Additionally, work has been ongoing to collate updates to the Strategic Risk assurances identified in the Strategic Risk Register. CMT will be meeting on 26th November to review the full update SRR. The revised SRR will then be presented at the next meeting of the Audit Committee.

Brexit Preparations update

- 6.2 At the last meeting, the Audit Committee referred to the impending deadline for the ending of transitional arrangements between Britain and the European Union, and sought assurance that the Corporate Management Team (CMT) and Cabinet were making any necessary preparations for this.

As this is an important aspect of the councils overall risk management universe, and is contained within Strategic Risk 5 – which focusses on the risk of ‘External Changes in Political and/or legislative environment’, liaison has been undertaken with the council’s identified lead for Brexit to understand work being undertaken in relation to this.

This has confirmed that an update in relation to the Council’s preparations is due to be presented to CMT in November 2020, highlighting risks and current controls / assurances, and also confirming that the EU Exit Working Group which was suspended earlier in the year due to the impact of Covid-19 has now been reinstated to further support the management of risks in this area with partners across the region.

Additionally two service areas have presently been identified as requiring additional funding to assist with likely pressures arising from Brexit – these are Regulatory Services and Community Equality and Cohesion. The request for funding report is also due to be presented to CMT in November.

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 update of the Covid-19 related strategic risks

9. Background Papers

Previous reports on Risk Management presented to Audit Committee



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Covid-19 Strategic Risk Register 2020/21



November 2020

No.	Risk	Link to Strategic Risk Register	Existing Controls	Impact	Likelihood	Risk score	Status & Trend	Further Actions/Planned Mitigations	Deadline
	<i>Cause and Effect</i>	Lead	<i>Assurances</i>						
1	<p>Threats to the Economic Growth of Walsall resulting from the impact of Covid on the Walsall and wider economy and additionally an inability to promptly support small and sector specific businesses through Government grant funding</p> <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	<ul style="list-style-type: none"> Businesses contacted quickly and automated portals to administer Government's grant funding / relief programmes successfully put in place. Discretionary Grants programme successfully launched and completed getting all of the funding available £2.3m to local qualifying businesses. Marketing and contacting businesses individually to promote applications was undertaken. Application of 100% business rate holiday for all retail, hospitality and leisure businesses for 2020/21 implemented. Use of the appropriate Grant Management and Counter Fraud tools and external agency have assisted with verification checks prior to payment. Post-payment Assurance Programme developed. Identifying suppliers at risk of collapse and implementing actions in line with Cabinet Office PPN 02/20 completed through the Supplier Payment Action Group (SPAG). Appropriate response taken in relation to the PPN 04/20 set into place, and SPAG stood down but ready to reform should the market place / suppliers require it. Cross-departmental approaches set into place and ready to be co-ordinated through SPAG. Business rate income remains under threat until the full impacts of COVID-19 are realised. 	Current Score			Amber	<ul style="list-style-type: none"> Supplier Payment Action Group (SPAG) standing by should the PPN 04/20 need to be further utilised. On-line processes and procedures in place should the need to process payments to local businesses through a new COVID-19 government grants programme be introduced. Post Payments checks to be completed and participation in NFI data matching exercise which now includes grant specific data sets. <p>Threat remains at Amber due to the uncertainties of Business Rate income levels and the sustainability of some business sectors due to COVID-19.</p>	Ongoing
			Target Score			Green	Ongoing		
				2	2	4		December 2020	

Covid-19 Strategic Risk Register 2020/21



November 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>						
2	<p>The Proud Programme ceases to progress at the required pace during the period of disruption.</p> <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>	<p>SRR 2</p> <p>Director Transformation and Digital</p>	<ul style="list-style-type: none"> • 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 • Programme Managers identified to stand in for the Director, Transformation & Digital during recruitment period. 	Current Score			<p>Red</p> <p>↔</p>	<ul style="list-style-type: none"> • Updated status report of outcomes from review to CMT – not now necessary as all parts of Proud Programme proceeding. • Integral part of Reset Framework, with Programme Manager on the Working Group which meets weekly. • Proud actions included on the weekly CMT agenda. • Continuous monitoring 	<p>N/A</p> <p>Ongoing – December 2020</p> <p>Weekly</p> <p>Ongoing</p>
			4	3	12	Target Score			
				3	3	9	<p>Amber</p> <p>↔</p>		

Covid-19 Strategic Risk Register 2020/21



November 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	<p>Partnership relationships with other sectors and our major suppliers fail to deliver on shared objectives and therefore outcomes for the community.</p> <ul style="list-style-type: none"> • <i>Weak relationships with Partners- provider relationship breakdown, absence of trust;</i> • <i>Lack of supply chain resilience / suppliers of services in market;</i> • <i>Provider fails;</i> • <i>Financial pressures in other sectors reduce the resources they can deploy;</i> <p><i>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.</i></p>	SRR 3 Director Commissioning and Head of Programme Management	<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			<div style="background-color: red; color: white; text-align: center; padding: 5px;"> Red ↓ </div>	<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 	Ongoing
			Target Score			<div style="background-color: orange; color: white; text-align: center; padding: 5px;"> Amber ↔ </div>			<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 • Remains above target score due to the continued uncertainty in the market place and to suppliers because of COVID-19.

Covid-19 Strategic Risk Register 2020/21



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	<i>Cause and Effect</i>	Lead	<i>Assurances</i>								
4	<p>The Council is unable to maintain service standards to support the most vulnerable in society.</p> <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>	<p>SRR 4</p> <p>Director Children’s Social Work, Director Adult Care and Director Resilient Communities</p>	<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 where appropriate. Increased face-to-face contact where required. Staff attend offices as a team on a rota basis to support team morale. All Statutory Safeguarding responsibilities continue to be fulfilled. Regular meetings with statutory partners take place to support effective practice. 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. 	Current Score		4	4	16	Red ↔	<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
				Target Score		3	3	9	Amber ↔	<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 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 mitigations and controls in relation to covid-19 and reset. Legal flexibilities for Children’s Services updated and amended in September 2020. 	<p>In line with timeline for Reset Planning work</p> <p>Weekly</p> <p>Ongoing</p> <p>Complete and ongoing</p> <p>Ongoing</p> <p>Complete and Ongoing</p> <p>Ongoing</p>

Covid-19 Strategic Risk Register 2020/21



November 2020

No.	Risk <i>Cause and Effect</i>	Link to Strategic Risk Register Lead	Controls <i>Assurances</i>	Impact	Likelihood	Risk score	Status & Trend	Further Actions	Deadline
								Practice in line with amendments. <ul style="list-style-type: none"> • Backlog of children’s public care proceedings cases reducing and final hearing dates in place. 	January 2021

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No.	Risk	Link to Strategic Risk Register	Controls	Impact	Likelihood	Risk score	Status & Trend	Further Actions	Deadline		
	<i>Cause and Effect</i>		<i>Assurances</i>								
		Lead									
5	<p>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.</p> <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. <p><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></p>	<p>SRR 7</p> <p>Director Finance, Corporate Performance and Corporate Landlord</p>	<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. Submission to the governments compensation scheme for reimbursement of lost sales, fees and charges. Allocation of other specific funding in relation to outbreak management and support to businesses. Close management and reporting of costs, loss of income and indirect impacts through CMT Leader and Cabinet – including weekly Sitrep report to CMT. 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. Production of updated medium term financial outlook and draft revenue budget for 2021/22 – 2023/24 and reporting of this to Cabinet to support consultation and preparation of a legally balanced budget, this included 	Current Score		4	4	16	Red ↔	<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. 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. 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. Further proposals are needed to close the remaining £12m gap for 2021/22, and these need to be agreed by February Cabinet – this being taken forward through a review of service transformation 	Monthly
		Target Score		3	3	9	Amber ↔	<p>As per reporting schedules</p> <p>Daily</p> <p>Monthly</p> <p>Reset Planning under way</p> <p>December 2020 and February 2021 Cabinet meetings</p>			

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No.	Risk <i>Cause and Effect</i>	Link to Strategic Risk Register Lead	Controls <i>Assurances</i>	Impact	Likelihood	Risk score	Status & Trend	Further Actions	Deadline
			– 2023/24 and reporting of this to Cabinet to support consultation and preparation of a legally balanced budget, this included proposed options to close the gap for 2021/22 from £33.66m to £12m, with a further update due to be reported to Cabinet in December 2020 to seek to close the remaining gap for that year.					plans (STPs), a work stream review of WPP against those v STPs, and an ongoing review of funding and cost pressure assumptions within MTFO whilst awaiting details of the Local Government Settlement for the year.	

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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	<p>The Transition from emergency response to business resetting and recovery does not encompass lessons learnt and good practice experienced during the pandemic period.</p> <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 Director Commissioning & Early Help	<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. Reset plans using learning to date, that identify opportunities and risks and ensure the resetting of services within framework process agreed by Cabinet. Covid secure risk assessment for all buildings / services and individual risk assessments for vulnerable employees – Space Occupancy group coordinating with building managers. Individual risk assessments follows normal line manager process. Council wide process for DSE and equipment in progress. Reduced building capacity to ensure social distancing / government guidance and prioritisation of services that cannot work remotely – Space occupancy group and process in place to control occupancy of buildings using appropriate authorisations Signage, screens, one way systems, hand sanitisers etc – in place for live buildings 	Current Score		3	3	9	Amber ↓	<ul style="list-style-type: none"> Analysis and implementation of service reset plans. Reset plans subsequently incorporated within Service transformation Plans Reset staff survey to understand and respond to workforce concerns , anxieties and suggestions completed. Action plan in progress to address items – regular updates to CMT 	August 2020 onwards December 2020
				Target Score		2	2	4	Green ↔	<ul style="list-style-type: none"> Refresh of FAQ's to respond to any specific issues / concerns as they arise – Ongoing – Owned by HR, regularly updated following Silver meetings Regular communication with TU colleagues and corporate comms on reset thinking , direction and actions 	Monthly Ongoing

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November 2020

No.	Risk	Link to Strategic Risk Register	Controls	Impact	Likelihood	Risk score	Status & Trend	Further Actions	Deadline
	<i>Cause and Effect</i>		<i>Assurances</i>						
7	<p>Increased exposure to fraud and legal challenge due to emergency governance steps taken.</p> <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. 	-	<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. Reminders form communications and on website about increased risks. Utilisation of Internal Audit work programme days to support further review of controls in services impacted by Covid. Implementation and go live of the council’s new One Source system which includes further support for remote approval / authorisation of payments via secure workflows. 				<p>Current Score</p> <p>2 3 6 Amber</p> <p>⇔</p> <p>Target Score</p> <p>2 2 4 Green</p> <p>⇔</p>	<ul style="list-style-type: none"> Continued use of counter fraud and state aid compliance processes that have been developed for further business support responses implemented by government, for instance Local Restrictions Support Grants and Additional Restrictions Grants Continued use of Internal Audit work programme days to support ongoing review of controls in line with the internal audit work programme agreed for the year (which incorporates identified reviews in relation to Covid-19) 	<p>November 2020</p> <p>In line with internal audit work programme</p>

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

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

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

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%