

## **Report of the Head of Internal Audit, Anti-Fraud and Assurance**

### **AUDIT AND GOVERNANCE COMMITTEE – 31<sup>ST</sup> MAY 2023**

#### **ANNUAL RISK MANAGEMENT REPORT**

##### **1. Purpose of the report**

- 1.1 This report provides the Audit and Governance Committee with a summary of the risk management activity over the last 12 months to contribute to the assurances the Committee requires as part of the annual governance statement process. The report also takes a forward look at the work planned for the current financial year.

##### **2. Recommendations**

- 2.1 The Committee is asked to consider the report as a contribution to the Committee's assurances regarding the Council's governance arrangements.**

##### **3. Update on the Use of the Risk Management System**

- 3.1 The new risk management system went "live" on 7<sup>th</sup> May 2021 and has now been operational for 2 years. Throughout the last year support has been given by the Corporate Governance and Assurance Manager and Officer to colleagues across the Council, to provide training in the use and navigation of the system to ensure they are confident in adding and updating risks, and support in reviewing the contents of risk registers in Directorate Management Teams (DMTs) and Business Unit (BU) meetings whenever requested.
- 3.2 The new system is user friendly, has easily accessible risk recording templates which are quick to complete and can be used on a variety of electronic devices. The process has a simpler 'RAG' rating and assessment of risk, and a greater emphasis on the effective mitigation of actions to address the risk. The system is designed to be "self-service" for Risk Managers and their teams, enabling risks to be proactively owned, updated and managed by teams across the Council.

The 'risk' approach introduces the concept of concerns, issues and areas of focus. The term 'risk' is used generically to cover these three concepts.

- 3.3 A quarterly quality assurance process has been established which provides BUs with feedback on their risk registers including prompts to review actions, RAG ratings and reviews dates. This system aims to encourage the regular review of risks and the embedding of the consideration of risks within BU and management teams.

- 3.4 Currently (as of 18<sup>th</sup> May 2023) there are 218 risks on the system of which 13 relate to the Strategic Risk Register, 177 relate to Business Units Risk Registers and the remaining 28 risks relate to Boards or Projects. A breakdown of the BU risks is shown at Appendix 1.
- 3.5 The Risk Management System can be interrogated to filter risks by Senior Management Team (SMT), DMT, BU, Board or Project enabling managers to focus on those risks relevant to their areas of responsibility. There has been a satisfactory level of engagement across the Council with the new system.
- 3.6 Strategic Risks are reviewed on a quarterly basis by SMT where consideration is given to each risk to highlight any changes and therefore the status of the risk. SMT also determine whether there are any other issues, concerns or areas of focus that need to be added or removed from the register or whether they should be managed at a lower organisational level.
- 3.7 Strategic Risks are formally reviewed by the Audit and Governance Committee. A programme of reviews is established, and the Committee receives a briefing report and a “deep dive” presentation of two or three risks at each meeting presented by the Executive Director as Risk Owner for the relevant strategic risk being considered.
- 3.8 A system of six-monthly review of strategic risks has been established with Cabinet. A review session was undertaken on 29<sup>th</sup> March with Cabinet which provided an opportunity to update them on the Strategic Risk Register and provide a specific focus on 3 high rated risks presented by the Executive Director as Risk Owner. Training is planned for Cabinet and all members on the risk approach and system. The next scheduled review of strategic risks is 13<sup>th</sup> September.
- 3.9 All BUs have added their Risk Registers onto the Risk Management System and are encouraged to review and proactively update these in their management teams on a quarterly basis.
- 3.10 Several Boards and Projects have added their Risk Registers onto the Risk Management System. Further support is planned to develop the use of the system by Boards and Projects.

#### **4. Review of the Risk Management System**

- 4.1 Internal Audit undertook an independent review of the risk management arrangements and compliance in Autumn 2022. The review assessed the efficiency and effectiveness of the risk management framework in relation to the identification, management, monitoring and reporting of strategic risks, concerns, and issues.

- 4.2 The audit confirmed that the risk management system had been successfully developed and implemented using Power BI tools to facilitate the recording, monitoring and management of strategic risks, concerns and issues.
- 4.3 The audits final assurance opinion was 'reasonable' in relation to the internal control framework. There were 2 agreed management actions as follows:
- The need to embed the risk management process within BUs, with their better proactive ownership of risks and ensuring they regularly review and update risks and actions
  - Production of updated documented guidance to reflect some minor improvement changes to the system, which will support users with the risk management process

## **5. Future Developments 2023/24**

- 5.1 There remains a need to continue to collaborate with colleagues to embed the regular review of risks into a "business as usual" approach within management teams
- 5.2 Given some recent amendments to the risk system, there will be new updated Risk Management Guidance documentation provided to all BUs.
- 5.3 Revised risk management training materials will be developed on the POD system. This training will include information about the Council's approach to risk management and the Risk Management System used with a step-by-step guide explaining how to add and update risks on the system.
- 5.4 Work will continue to ensure that organisational changes are reflected in the risk system and that BU Risk Registers are reflective of any changed structures.
- 5.5 In the next 12 months when we feel that the system is fully embedded, we intend to undertake a corporate assessment of the Council's risk maturity. This is not a requirement but good practice as it would offer another level of assurance on our risk management approach and highlight any further opportunities to improve the risk arrangements.

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Date: 18<sup>th</sup> May 2023

### Number of Risks on the Risk Management System (Business Unit and SMT Risks) as of 18<sup>th</sup> May 2023

Directorate / Business Unit	Number of Risks
Children's Services	15
Public Health and Communities	24
Growth and Sustainability	31
Place and Adult Social Care	20
Core Services - Finance	19
Core Services – Law and Governance	25
Core Services – Customer, Information and Digital Services	21
Core Services – Business Improvement, HR and Communications	22
Senior Management Team (Strategic risks)	13
Boards and Projects	28
<b>Total</b>	<b>218</b>

The above table shows the number of risks for each Directorate and the Core Service BUs, the strategic risks overseen by SMT and project and board risks.

It should be noted that there is no predetermined target number for the risks identified. Regular reviews mean the number of risks ebbs and flows.

When developing their risk registers managers are asked to consider the key areas where they require assurance, their key issues, concerns, and areas of focus, and use these to develop their risk registers.

The system does not use a scoring approach based on probability and impact unlike traditional risk management systems. The focus instead is on an assessment of confidence, encouraging risk managers to consider what actions are required and by when to provide positive assurance by asking:

- Are we satisfied that we are doing everything reasonable to influence and manage risk?
- What do we need to have in place to ensure we do all the right things in the right way?

The emphasis throughout is to consider how do we achieve, deliver and succeed rather than the traditional focus on possible failure.