

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

AUDIT COMMITTEE – 3rd JUNE 2020

RISK MANAGEMENT UPDATE

1. Purpose of the Report

1.1 This report provides an update for the Committee on the development of a new approach to risk management.

2. Recommendation

2.1 It is recommended that the Committee note the update and direction of travel and receive further updates at subsequent meetings including the draft Risk Management Strategy and Policy, and the revised strategic register.

3. Background

3.1 The Committee is aware that the Peer Review, undertaken last year, made observations regarding how effective our strategic risk register was as a basis for decision-making and as a useful management tool.

3.2 Further to the Peer Review, a consultant was engaged to provide an independent view as to the opportunities for how the strategic risk register and indeed the approach to risk management could be improved.

3.3 A new approach to risk management was agreed in principle by the Senior Management Team last year and work commenced on developing the methodology.

4. The New Approach to Risk Management

4.1 The concept for the new approach, to remind the Committee, is centred around the creation of a controls and governance assurance framework. This creates various governance domains which are used as a basis for capturing the high-level controls expected to be in place and consistently complied with. The governance domains and their context are shown in Appendix A,

4.2 The governance domains approach will provide a new focus on ensuring the framework of controls is in place that will maximise the chance of the Authority delivering its objectives.

4.3 Allied to this is the approach to risk, or rather identifying strategic, operational and project *concerns, issues and areas of focus*. This approach aims to ensure

that the 'risks' of the moment are captured and managed, i.e. the concerns management have regarding something in the future and our ability to deal with it effectively, or current issues, where something has gone wrong/failed and an effective response is required, or identifying those activities that because of their nature and organisational significance require specific oversight and focus.

- 4.4 The approach being developed is acknowledged as quite a departure from the traditional risk management approach. Instead of the negative context, the new approach aims to promote a more positive and enabling culture; 'what do we need to have in place (that is consistently and easily complied with) that ensures we do all the right things in the right way'.
- 4.5 Whilst there is clearly nothing wrong with the more traditional approach to risk management, the new approach will provide a focus on the areas that, if they fail or are avoided, can have very serious consequences. To highlight this point, in all cases where there has been a corporate failure, in whatever context or sector, the inevitable analysis of the cause identifies a series of breakdowns in the basic control framework – a series of perhaps small failures that combine to result in major problems. The new approach aims to ensure senior management have a focus on that underlying 'organisational infrastructure'.
- 4.6 It is acknowledged that the new approach will require a culture change and leadership from the top.

5. Progress Update

- 5.1 Work started in earnest in January this year following the commencement of the new Corporate Governance and Assurance Manager.
- 5.2 As a matter of priority, the initial focus has been on establishing a new high-level 'register' as a replacement for the strategic risk register.
- 5.3 To date, individual meetings have been held with each Executive Director and the Chief Executive to identify their views of concerns, issues and areas of focus. A workshop was planned with the Senior Management Team in March to discuss and agree the new areas for the 'register'. However, this workshop coincided with the pandemic escalating and was postponed. A new workshop will be arranged in the next few weeks to resume this work.
- 5.4 In the meantime, work has been continuing in developing the supporting 'system' that will facilitate the new approach.
- 5.5 The new approach is also getting trialled in a few areas to test the concept and get various views from managers. Feedback is positive and particularly in relation to the general more positive enabling style - the concept of thinking about 'what do we need to have in place (that is consistently and easily complied with) that ensures we do all the right things in the right way', seems to resonate

with managers to help them focus on achievement and delivery rather than avoiding failure.

5.6 As with all new developments requiring a change in culture and approach, it will take time to fully embed. The further work in creating the governance domains will commence in the next few weeks as well and again this will take time. At this stage and particularly in the context of the covid-19 pandemic, it's not practical to set a specific timescale. However, this is a priority and has secured SMT's commitment. The Audit Committee will receive further updates in due course.

6. Appendix A – proposed governance domains.

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Date: 21st May 2020

Proposed Governance Domains

OI Theme / Domain	Purpose
Financial Management	<p>A framework of policies and procedures that ensures the organisation can manage its financial resources in an efficient and effective way.</p> <p><i>This not about how much money the organisation has, or indeed if that may reduce or change, it is about the effectiveness of the financial management framework to deal with and respond to changes in whatever resources the organisation has.</i></p>
Workforce / HR Management	<p>A framework of policies and procedures that ensures the organisation can manage its human resources and talent in an efficient and effective way.</p> <p><i>This is about ensuring the organisation understands its human assets, their quality, their control, their development and their deployment.</i></p>
Information Systems Management	<p>A framework of policies and procedures that ensures the organisation has a suite of information systems and technology that supports and enables the organisation to deliver its objectives.</p> <p><i>This is about the quality, suitability and resilience of IT/IS such that the organisation can deliver its objectives in the most efficient and effective way.</i></p>
Information Governance / Security	<p>A framework of policies and procedures that ensures the organisation maintains its information assets in a way that secures compliance with legislation but also supports the organisation to deliver its objectives in an efficient way.</p>
Procurement, Commissioning and Contract Management	<p>A framework of policies and procedures that ensures the organisation procures, commissions and manages its contracts in a way that ensures compliance with legislation, delivers value for money and supports the organisation to meets its objectives.</p> <p><i>This is not about what is procured or commissioned but that there is due regard to good practice, value for money, governance, public accountability and equity in how the organisation secures goods and services to deliver its objectives.</i></p>
Partnership / Relationship / Collaboration Governance	<p>A framework of policies and procedures that ensures that the collaborative arrangements in place are effectively governed and managed to support the organisation to deliver its objectives.</p> <p><i>This is subtly different to contract management to reflect the wider partnership / collaborative arrangements in place with other organisations that we use or use us to deliver services and objectives.</i></p>
Performance Management / Data Quality	<p>A framework of policies and procedures that ensures the organisation can manage its performance through quality, timely and reliable data such that performance and accountability is measured and reported to drive continuous improvement.</p> <p><i>This is not about actual performance; this is about having the confidence to be able to rely on the data and systems in place that identify performance to enable management to make decisions reliably and consistently.</i></p>

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Asset Management (estates, non-IT equipment)	A framework of policies and procedures that ensures the organisation can manage and utilise its physical assets to best effect to support the delivery of services. <i>This not about what assets the organisation has as such but rather it knows what they are, can manage them in a way that ensures they are fit for purpose, kept useable and efficient and that they are disposed of and renewed at the optimum time.</i>
Ethical Standards / Conduct Management	A framework of policies and procedures that ensures its employees and those working with and for the organisation discharge their responsibilities with the highest ethical standards meeting all aspects of public expectation for conduct and integrity. <i>This also extends to arrangements for dealing with non-compliance and ensuring public accountability, transparency and confidence.</i>
Project / Programme Management	A framework of policies and procedures that ensures the effective and efficient management and delivery of the projects and programmes of the organisation. <i>This is about ensuring good governance, accountability and benefits realisation from change, development and transformational projects and programmes.</i>
Health and Safety	A framework of policies and procedures that ensures the organisation discharges its legislative and good practice responsibilities for the health, safety and welfare of its employees, customers and wider stakeholders.
Business Continuity / Emergency Resilience	A framework of policies and procedures that ensures the organisation understands its BC and ER arrangements, staff, partners and other organisations understand their respective roles should an incident arise and that services are restored as quickly and efficiently as possible.
Safeguarding (Children and Adults)	A framework of policies and procedures that ensures the organisation's responsibilities for the safeguarding of children and adults are discharged as effectively and efficiently as possible. <i>This extends to ensuring all partner or contractor agencies meet their responsibilities within the organisation's frameworks.</i>
Legislative Compliance	A framework of arrangements that ensures the organisation understands and meets its legislative responsibilities. <i>This is beyond those legislative frameworks within the other domain areas and relates to specific statutory roles the organisation has for service delivery or discharging public services.</i>
Equalities and Inclusion	A framework of policies and procedures that ensures the organisation has due regard for equality and inclusion in how it delivers its services, manages its staff and supports the wider community, meeting legislative and good practice standards in doing so.
Decision-Making Arrangements	A framework of policies and procedures that ensures the organisation makes sound decisions in a publicly accountable

OI Theme / Domain	Purpose
	<p>and transparent manner, meeting the requirements of legislation and internal arrangements.</p> <p><i>This is not about the actual decisions made but relates to the way they are made.</i></p>
Risk Management	<p>A framework of policies and procedures that ensures the organisation has regard to risk, that the overall framework is managed and that the delivery of services and responsibilities is supported through impactful and enabling mitigating actions.</p>