



Name of meeting: CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Date: 19 JANUARY 2024

Title of report: RISK MANAGEMENT ANNUAL REPORT 2023-24

Purpose of report:

To provide information on the Council's strategy for Risk Management and its governance arrangements to deliver in line with the approved strategy

To outline priority actions for development during 2024-25

For Corporate Governance and Audit Committee to consider the content of the report, and to advise if they have any comment on the work plans moving forward.

<p>Key Decision - Is it likely to result in spending or saving £500k or more, or to have a significant effect on two or more electoral wards? Decisions having a particularly significant effect on a single ward may also be treated as if they were key decisions.</p>	<p>Not Applicable</p>
<p>Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)</u>?</p>	<p>Not Applicable</p>
<p>The Decision - Is it eligible for call in by Scrutiny?</p>	<p>Not Applicable</p>
<p>Date signed off by <u>Strategic Director</u> & name</p> <p>Is it also signed off by the Service Director for Finance?</p> <p>Is it also signed off by the Service Director for Legal Governance and Commissioning?</p>	<p>Not Applicable</p> <p>Yes -</p> <p>Yes -</p>
<p>Cabinet member <u>portfolio</u></p>	<p>Cllr Paul Davies</p>

Electoral wards affected: N/A

Ward councillors consulted: N/A

Public or private:

One of the appendices to this report is recommended for consideration in private because the information contained in it is exempt information within part 1 of Schedule 12A of the Local Government Act 1972 namely that the report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption outweighs the public interest in disclosing the information and providing greater openness in the Council's decision making.

Has GDPR been considered? N/A

1. Summary

- 1.1. Robust Risk Management is a central feature of good governance and the Council's approach to risk management has built on the successes of the previous year with proactive risk management continuing. The current risk management arrangements were found in a recent internal audit to be reasonable and provide assurance that, in general, relevant risks are identified, assessed, monitored and managed appropriately.
- 1.2. Although significant progress has been made, there remains a level of inconsistency in the extent that risk management is embedded within the day-to-day operations and the culture of the Council. It is still necessary to drive greater improvements in this area but these need to be both realistic and proportionate (as set out in the report below- at section 4 and 5).
- 1.3. Whilst organisational priorities are focussed on addressing immediate financial challenges it is important that effective risk management is seen as an intrinsic part of this process, and not an optional or additional requirement.
- 1.4. Priority actions that have been identified for progress in 2024-25 include ensuring Risk Management continues to inform and integrate with other relevant assurance frameworks and broader strategy development plans.
- 1.5. The report below provides additional information

2. Introduction

- 2.1 The Accounts and Audit Regulations 2015 require that a relevant authority must ensure that it has a sound system of internal control which: a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; b) ensures that the financial and operational management of the authority is effective; and c) includes effective arrangements for the management of risk.
- 2.2 The Terms of Reference of the Corporate Governance and Audit Committee state the committee has responsibility to review the adequacy of the Council's arrangements for managing internal control and risk management. Day to day responsibility rises through operational to executive management, overseen and directed by Cabinet with risk visibility as a part of the Scrutiny process. This distinction should avoid duplication of effort.
- 2.3 This report summarises the risk management activity undertaken during the previous 12 months to support the Corporate Governance and Audit Committee in discharging its responsibilities to review their adequacy.

3 Reporting and Governance arrangements

- 3.1 Service Director and Heads of Service are responsible for assessing and monitoring risks and implementing effective and proportionate mitigants to control identified risks, where required.
- 3.2 Risk Registers are used to record and track the above information, the Service and / or Directorate level risk registers are submitted on a quarterly basis for review and challenge by relevant officers, and then used to update and inform the Corporate Risk Matrix and an Emerging Risk List
- 3.3 The Risk Management Group, with representatives from Services and corporate support functions, meets on a quarterly basis to assess risk holistically across the organisation. The group also challenge and approve the corporate risk matrix and identify specific risk items to include on the Emerging Risk list
- 3.4 The Emerging Risk report lists items of note or concern that do not feature in the Corporate Risk Matrix but that those charged with governance need awareness of. Actions in place to monitor and / or address these Emerging Risks are detailed and the extent and appropriateness of these actions is asked to be considered. These risks are aligned to the 10 Key Corporate Risks.
- 3.5 Reporting on Risk Management forms a central part of the quarterly Performance & Assurance meeting of the Executive Leadership Team, with onward escalation to Executive Board and Cabinet. The risk reports are discussed in other Member forums, either on a formal or informal basis, including the Overview & Scrutiny Management Committee which has informally reviewed the matrices on several occasions during the year. Additionally, during 2023, we have started to present relevant extracts from the corporate risk register to Scrutiny Panels to ensure panels have full visibility of risks under management and actions in place to mitigate.
- 3.6 Opportunities continue to be used to highlight the benefits of integrating risk management into business-as-usual management processes, rather than it being perceived as a discrete activity.

3.7 Risk Profile

	2022-23 Q3	2022-2023 Q4	2023-24 Q1	2023-24 Q2
KCR 1: Financial Sustainability	20	20	20	20
KCR 2: Effective Governance	9	9	9	12
KCR 3: Statutory Obligations	16	16	16	16

KCR 4: Third Party Management	12	12	12	12
KCR 5: People Management	20	20	20	20
KCR 6: Safeguarding	12	12	12	8
KCR 7: Resilient Operational Processes	15	15	12	12
KCR 8: Climate Change	12	12	12	12
KCR 9: Community Wellbeing & Resilience	16	16	12	12
KCR 10: Physical Assets & Infrastructure	12	12	12	16

Note Q2 is the most recent risk management available at the time this report was prepared.

3.8 Selected points to note that have impacted movements in risks tabled above are detailed below:

- Greater granularity within the recording of financial risks has been introduced, reflecting the challenges and complexity of maintaining a sustainable financial position (considering: in year budget, medium term financial plan, capital programme, inflationary pressures, income challenges, demand pressures, reserve depletion, lending and investment performance)
- Increased prevalence and success of hostile cyber-attacks on public sector organisations triggered an internal review of the processes in place to ensure data sharing with third parties takes place in a safe and controlled way. Recommendations have been identified and remedial activity will commence in 2024 to further enhance our assurance over data sharing agreements with third parties
- Challenges in maintaining the required levels of SEND provision have multiple causes (lack of capacity with services, lack of existing local provision, increases in demand led services, cost increases, funding levels, increasing complexity in clients needs etc) with significant financial and reputational consequences. The SEND Transformation Programme is in place to drive the improvements required. However, it is expected the risk will remain elevated for some time
- The risk assessments associated with the sustainability of the Adult Social Care market have recently improved reflecting strengthened partnerships and more collaborative working which, whilst not preventative, would enable market failures to be managed in a more controlled way
- Inclusion of contract management (generally) as a risk, recognising that whilst procurement processes are robust and well controlled there is a lack of

capacity and capability in some areas to maintain the focus on lifecycle contract management with multiple risks associated.

- Deterioration of the Associated Party risk, reflecting the governance and / or financial challenges of some of the specific relationships that the Council is managing
- Improvement to Community Wellbeing & Resilience risk assessment driven by effective management of Cost-of-Living interventions, both short term and longer term, and the introduction of the Inclusive Communities Framework
- Effective assessment of risks associated with residential property management is reliant on accurate and up to date data across the property portfolio. Concerns have been raised about the integrity and robustness of the asset data which have become apparent in the process of addressing recent challenges relating to damp, mould & condensation and fire safety remedial actions
- The administration of elections was included as a risk prior to the May 2023 local elections, which were the first elections to be administered under the Elections Act 2022. This was removed as a strategic risk; however continues to be monitored at a Service level

4. Internal Audit Review

During 2023, an internal audit review was carried out, for the purpose of providing an assessment on the effectiveness of risk management arrangements. An “Adequate Assurance” opinion was given, acknowledging that “significant progress has been made in some areas since the last audit carried out in 2020” but recognising that “service response is still varied with some providing more assurance than others that risk management assessment and governance is adequate. This is not to say that these activities do not take place but that the assurance and documentation does not support an adequate level of assurance.”

Six recommendations were identified and are being progressed. Phase 1 actions are nearing completion, with the formal approval of updated documentation, following which phase 2 actions will commence.

PHASE 1	
R1: The Risk Management Statement documentation should be updated.	Risk Management Policy has been reviewed and updated. Currently progressing through governance for approval
R2: The Risk Management Statement and subsequent guidance should clearly define where responsibility for Contract/Grant, Programme/Project and Partnership risk governance lies and set out how risk assurance should be evidenced.	New Risk Management Guidance document has been written and clarifies roles and responsibilities across these areas. Currently progressing through governance for approval

R3: Guidance including the required governance arrangements and risk register templates should be reviewed to ensure a minimum level of data is received to facilitate the strategy set out in the revised Risk Management Statement.	New Risk Management Guidance document has been produced to provide further explanation for risk owners. Risk Register template has been reviewed and updated.
R6: Consideration should be given to updating details of expectations of Service Risk Representatives in the review of strategy and guidance.	Risk Management Guidance document clarifies roles & responsibilities of Service Risk Representatives.
PHASE 2	
R4: Consideration should be given to making available basic training materials on 'Microsoft Teams' Corporate Risk Management folder once strategy and guidance has been updated.	Creation of the Risk Management Guidance document will meet some training needs. Additional training needs will be assessed following roll out of the Guidance document.
R5: Workshop style sessions should be developed in line with strategy and guidance that are service centred to provide relevant and practical training.	Training as agreed on embedding culture and new processes

5. Priorities for 2024-25

In addition to addressing the recommendations that were identified as part of the Internal Audit review, additional actions will be delivered to ensure the

Objective	Action
Ensure council objectives and corporate plan are aligned to organisational risk appetite	<ul style="list-style-type: none"> • Debate and agree organisational risk appetite for each risk category • Establish target risk score for key corporate risks
All officers and members are clear on the risk management process and relevant accountabilities	Approve and communicate updated: <ul style="list-style-type: none"> • Risk Management Policy • Risk Management Guidance document
Improve consistency and clarity in risk articulation and scoring	<ul style="list-style-type: none"> • Supporting information provided in the Risk Management Guidance document

	<ul style="list-style-type: none"> • Individual feedback provided where appropriate
Drive robustness and efficiencies in process delivery	Review options for utilising a Corporate Risk Management System or for developing capability internally
Ensure Risk Management Group representatives are informed and empowered to fully contribute to process	<ul style="list-style-type: none"> • Review of Terms of Reference, including attendance, of the Risk Management Group • Escalate where concerns exist / persist
Greater focus on control identification and monitoring of effectiveness	<ul style="list-style-type: none"> • Supporting information provided in the Risk Management Guidance document • Individual feedback provided where appropriate
Drive distinction between 'Risks' and 'Issues' to ensure clarity on required actions	Consider the appropriate reporting mechanism for 'Issues under management', where risks have crystallised and are now being actively managed
Contribute to the development of an organisational wide assurance framework	Consider multiple sources and a broad assessment of risk indicators, not limited to those contained within risk registers: <ul style="list-style-type: none"> • Internal Audit • Fraud • Complaints • Business Resilience
Continue to develop partnership working with Internal Audit, ensuring key processes are subject to appropriate review	Work collaboratively with Internal Audit to drive continual improvements in service delivery / process controls <ul style="list-style-type: none"> • Risk documentation to inform development of the Internal Audit plan • Risk registers to be reviewed as part of pre-audit preparatory work • Audit recommendations to be reflected in risk registers where appropriate
Corporate Plan to consider insight from risk management activity	Work with the Corporate Planning team to ensure the process to develop the Corporate Plan considers relevant inputs from risk management activity
Build Horizon Scanning capability	Work with Corporate Planning, and other relevant teams, to develop organisational approach to completing horizon scanning activity
Complete risk maturity assessment	Consider different strategies for completing an assessment of organisational risk maturity

6. Implications for the Council

6.1 Working with People

No direct impact although risks impact on the entire organisation, and affect this category

6.2 Working with Partners

No direct impact although risks impact on the entire organisation, and affect this category

6.3 Place Based Working

No direct impact although risks impact on the entire organisation, and affect this category

6.4 Climate Change and Air Quality

No direct impact although risks impact on the entire organisation and affect this category.

6.5 Improving outcomes for children

No direct impact although risks impact on the entire organisation, and affect this category

6.6 Financial Implications for the people living or working in Kirklees

No direct impact although risks impact on the entire organisation, and affect this category

6.7 Other (e.g. Integrated Impact Assessment (IIA)/Legal/Financial or Human Resources)

No direct impact although risks impact on the entire organisation, and particularly affect this category, as the crystallisation of most risk will have a financial impact, and on occasions legal impacts.

7. Consultation

None on this report directly. The reports created through the risk management process are subject to a complex interactive consultation processes as described in this report

8. Engagement

Not applicable

9. Next steps and timelines

Not applicable directly

10. CGAC are asked to

- a. To consider the report and indicate if they are content with the risk management processes as described, and currently operated.
- b. Make comments on the risk information included in the reports within the appendix, or on any risks not addressed here

11. Contact officer

Alice Carruthers, Risk Officer
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Martin Dearnley, Head of Risk
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12. Background Papers and History of Decisions

Risk management strategy 2018

13. Service Director responsible

Julie Muscroft Director Legal, Governance and Commissioning
Isabel Brittain Director Finance

14. Appendices

Quarterly risk reports from 2023-24 Q2

Appendix 1 Summary and Heat Map

Appendix 2 Corporate Risk Matrix

Appendix 3 Emerging Risks (private)