

# Risk Management Annual Report 2020-2021



## **1. Introduction**

- 1.1 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.
- 1.2 The terms of reference of the Audit Committee state the committee has responsibility for providing independent assurance for Members over the adequacy of the risk management framework and the internal control environment. It is responsible for monitoring the effective development and operation of risk management in the Council and progress in addressing risk-related issues reported to the committee.
- 1.3 This report summarises the risk management activity undertaken during 2020-2021 and supports the Audit Committee in discharging its responsibilities.

## **2. Risk Management Strategy**

- 2.1 Management has articulated a 5-year risk management strategy that was updated and ratified by CLT and the Audit Committee during 2020-2021. The strategy sets out a formal and structured approach to identifying, assessing, managing, and reporting risk within the Council and describes six objectives:
- 1) Ensure that risk management effectively supports corporate governance arrangements in the Council.
  - 2) Maintain and Improve leadership and collaboration of risk management activity across the Council.
  - 3) Integrate risk management into the culture of the Council as well as into its key management processes, programmes, projects, performance and financial management.
  - 4) Ensure that the risk management process for identifying, evaluating, controlling, reviewing, reporting and communicating risks across the Council is in line with best practice, consistently applied, understood and owned by all staff.
  - 5) Ensure that the Corporate leadership team, Directorate leadership teams, Audit Committee, Mayors Advisory Board, external regulators

and other stakeholders obtain necessary assurance that the Council is managing and mitigating its risks effectively.

- 6) Continuously improve risk management through learning and experience and actively communicate LBTH risk management approach to all employees and stakeholders.

### **3. Roles and Responsibilities**

- 3.1 Effective risk management is a key responsibility of staff and managers across the Council. Group and individual responsibilities are summarised below:

#### Audit Committee

- Provide independent assurance for Members over the adequacy of the risk management framework.
- Monitor the effective development and operation of risk management in the Council and progress in addressing risk-related issues reported to the committee

#### Corporate Leadership Team

- Overall accountability for risk management and the risk appetite across the Council including ensuring the corporate risk register is a live and up to date record of the current risk exposure.
- Set the tone for risk management, promote the benefits of effective risk management and lead by example in embedding the risk management framework.
- Owns individual corporate risks (as delegated by the Chief Executive) and approves corporate risks when escalated from directorate management teams.

#### Directorate Leadership Teams

- Ensures the directorate and services are identifying and managing corporate, strategic, operational, project and partnership risks effectively.
- Take ownership for risks within their function and ensure risk registers are regularly discussed, reviewed, updated and escalated as appropriate.
- Champions the benefits of effective risk management.

#### Risk Champions (One in each directorate)

- Promote, steer and monitor risk management for their directorates.
- Regularly discuss and review the corporate and directorate risk registers and associated risk reports.

#### Risk Management Team (Part of Internal Audit, Risk & Anti-Fraud)

- Supports the Corporate and Directorate Leadership Teams to implement the risk management strategy, policies and guidance.
- Develops and agrees plans with management to improve risk management across the Council.
- Develops risk management guidance and training and supports risk and control owners in delivering their role.
- Carries out ongoing reviews of risk management process, benchmarking, scrutiny and challenge.
- Provides administration for the Council's risk management software (JCAD).

### **4. Risk Management Audit and Action Plan**

- 4.1 Council's approach to risk management was audited in early 2020, the outcome was reported to CLT and the Audit Committee. The audit resulted in a split assurance opinion. The auditors assessed the design of the Council's approach to risk management as substantial but its application/operation as limited. Whilst the framework, strategy and procedures are well documented, compliance with these was variable across the Council and review and engagement with risk management by directorates required improvement. The report was presented to CLT in March 2020 and CLT gave a firm commitment to improve risk management across the Council.
- 4.2 The recommendations arising from the audit were accepted on behalf of CLT by the Head of Internal Audit and an action plan was developed (see Appendix A for progress). Progress has been slower than anticipated due to a lack of resource, however 50% of the actions have been completed and the outstanding actions will be carried forward in 2021–2022. These can be summarised as:
- Provide annual risk management awareness/training to Divisional Leadership Teams and wider management groups across the authority through risk workshops, bespoke training, e-learning and drop in Risk Talks.

- On at least a biannual basis, in conjunction with the Directorate Risk Champions, coordinate and facilitate a new risk identification exercise with each Directorate.
- Review JCAD and ensure it remains fit for purpose and useful in supporting the Council in managing its risks, sourcing an alternative if needed.
- Develop a desk top aide for recording, updating and withdrawing risks on JCAD.

## **5. Risk Management Activity During 2020-2021**

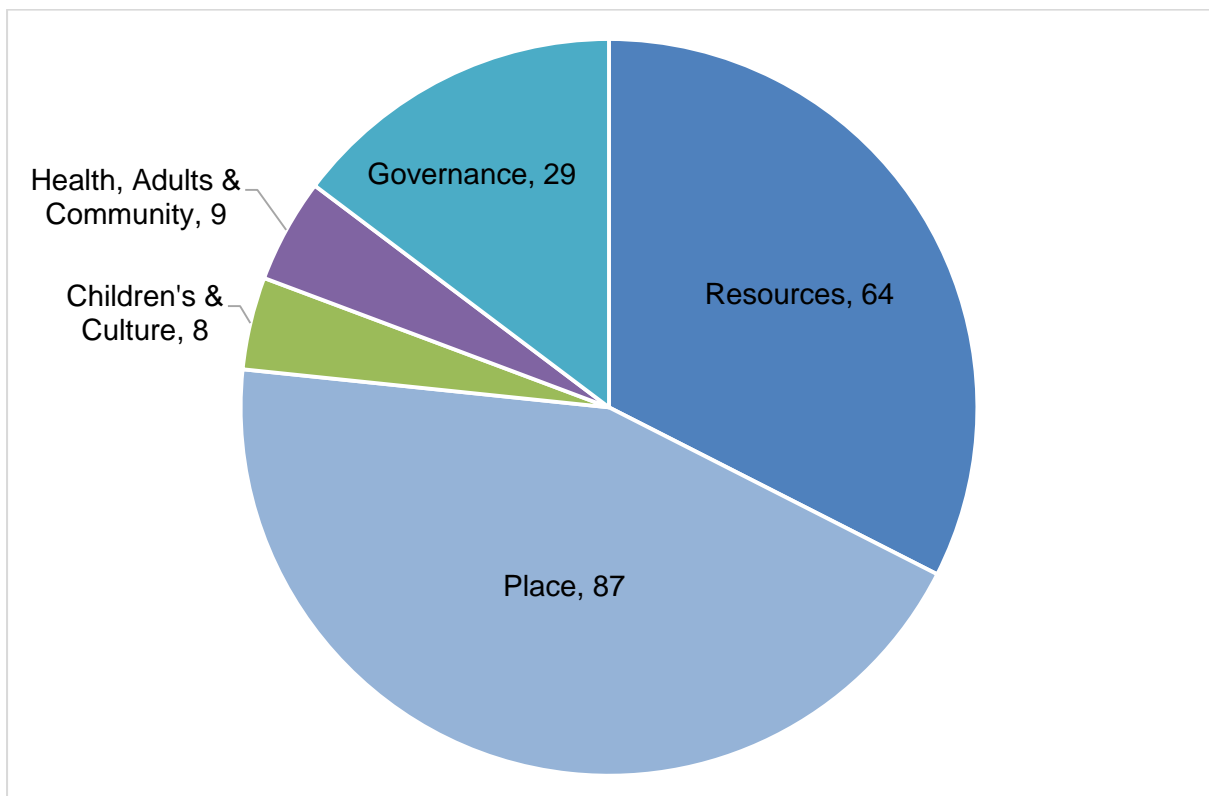
- 5.1 During 2020-2021 risk management has been a key feature of the Council's response to the Covid-19 pandemic. Bespoke risk registers were created and actively managed by the Bronze, Silver and Gold command groups with the frequency of activity stepped up or down as the risks fluctuated. These registers provided clear operational and strategic oversight of risks and their mitigating actions.
- 5.2 In addition to the bespoke risk registers, a concerted effort was made by all directorates to update their respective business as usual risks, remove out of date and immaterial risks, and review the registers on a more regular basis (at least quarterly).
- 5.3 A summary of other activities that have taken place during 2020-2021 follows:
- The Risk Management Strategy was updated and approved by the Audit Committee in July 2020.
  - Each Directorate nominated a Risk Champion to lead on risk in their respective Directorates. The Risk Champions meetings were reconstituted.
  - The Corporate Leadership Team were requested to ensure risk management features at least quarterly on their Divisional Leadership Team meeting agendas.
  - The Directorate Risk Registers for Place, Health Adults and Community, Children's and Culture, Governance and Resources have all been reviewed and actions identified to update and/or close out of date active risks.
  - Training has been provided to Senior Business Support Officers enabling them to support Directorates in updating risks on JCAD (the Council's risk management software).
  - Both the Joint Health and Safety Committee and the Civil Contingencies Board have received regular risk reports in their respective areas.
  - The Audit Committee has been regularly presented with the Corporate Risk Register as well as the Place and the Resources directorate risk

registers and a rolling timetable to review the other directorates has been agreed.

## 6. Current Risk Profile

- 6.1 The Council's risks are primarily recorded, managed and monitored using JCAD (our risk management software). The system allows risk registers to be produced as well as individual risks to be managed.
- 6.2 There are currently (as of 25 June 2021) 217 active risks recorded across the directorates and they can be further analysed as follows:

**Chart 1 – Risks by Directorate**



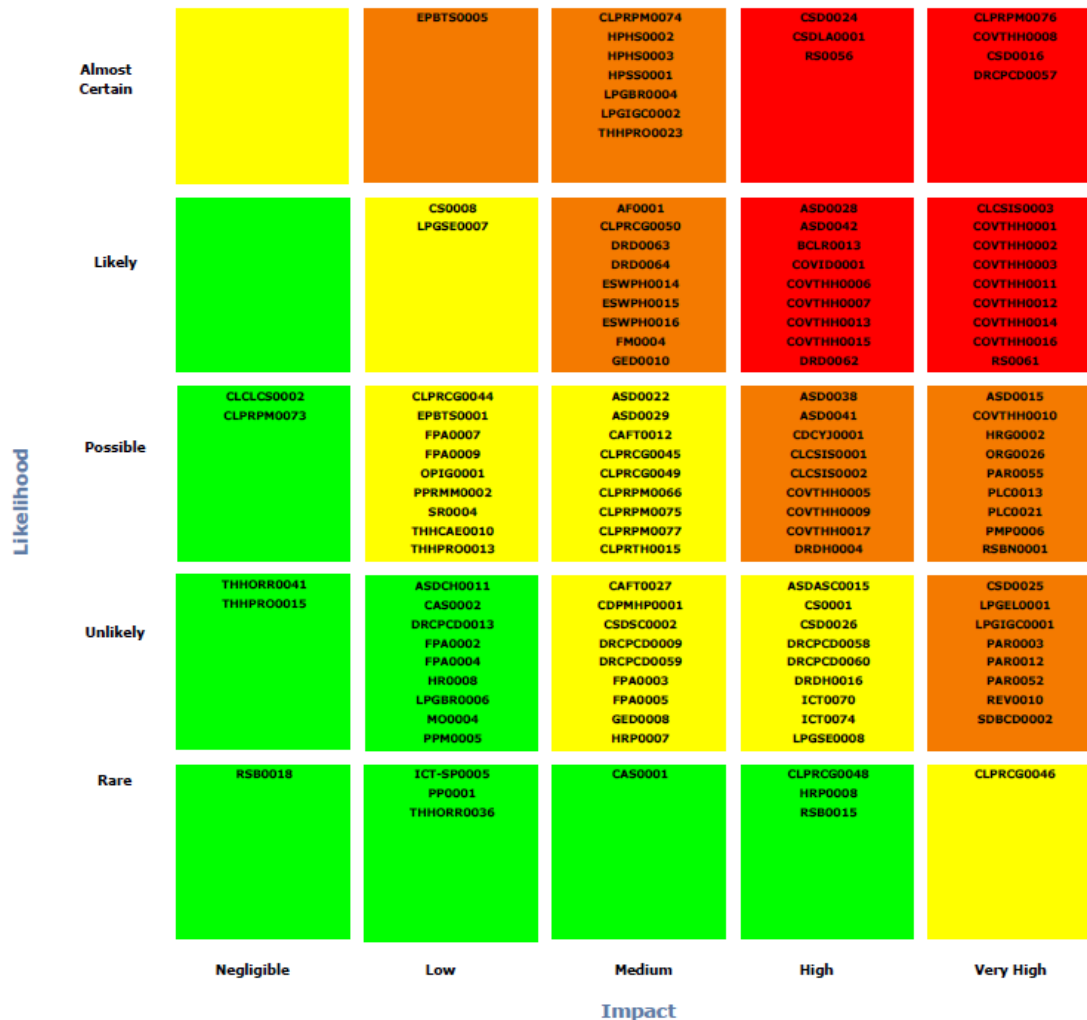
- 6.3 Risks are assessed based on likelihood and impact resulting in an overall score ranging from 2 to 25. The following table shows the average risk rating per directorate.

**Table 1 – Average Risk Rating by Directorate**

Directorate	Average risk rating
Children's & Culture	14
Place	11
Health, Adults and Community	11
Governance	10
Resources	9

6.4 The following heatmap shows a summary distribution of risks across the Council. More details of the top-rated risks (red) are provided at Appendix B.

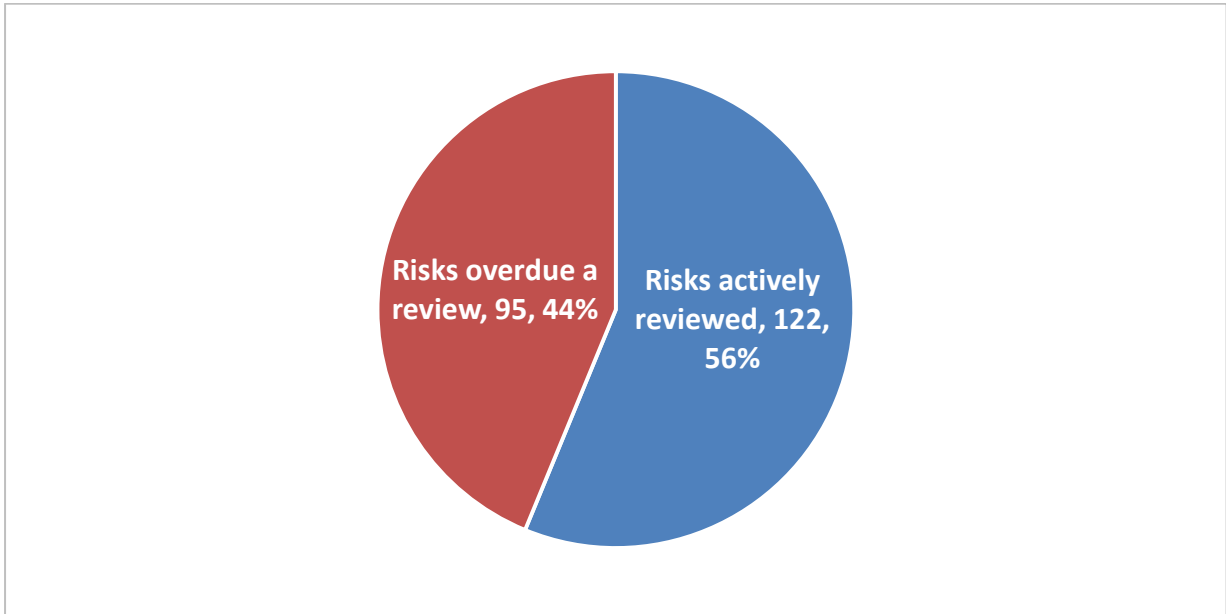
Chart 2 – Heatmap of Risk Profile



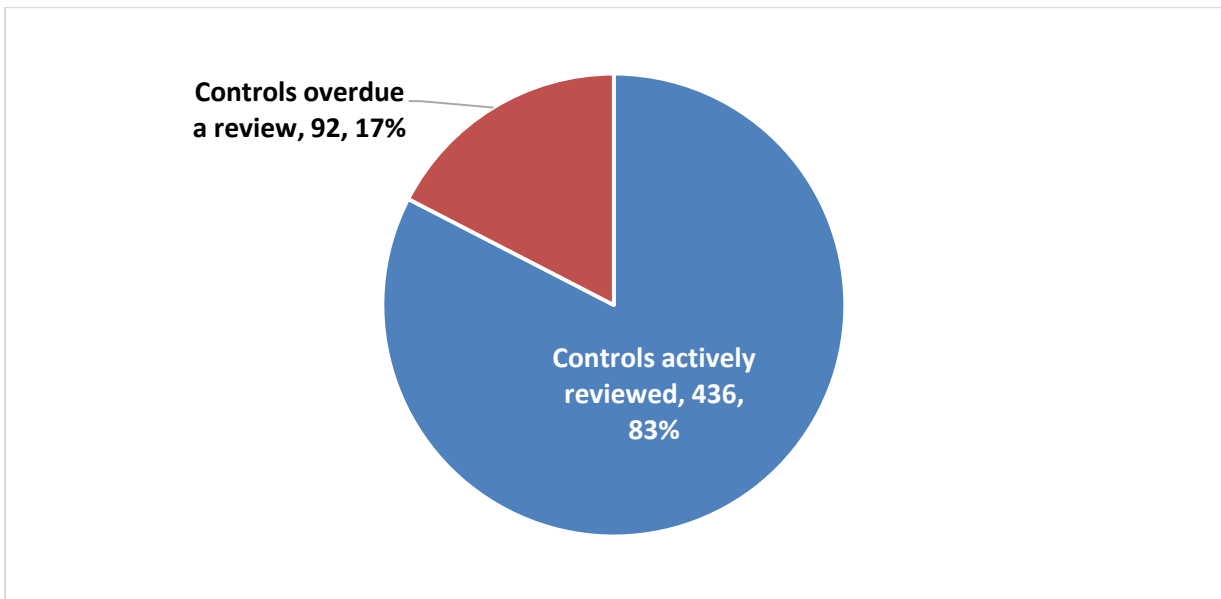
6.5 The most significant risks faced by Directorates and the Council as a whole feature on the Directorate and Corporate Risk Registers which are reviewed regularly by DLT, CLT and the Audit Committee.

6.6 Each risk and the associated actions to mitigate the risks, referred to as 'Controls' on JCAD should be reviewed regularly. The following charts show the distribution of risks and control review activity.

**Chart 3 – Risk Review Profile**



**Chart 4 – Control Review Profile**



6.7 It's clear from the above charts that some work is required to review risks more regularly and to a lesser extent the mitigating actions. This information will feature in risk reports for DLT's throughout 2021-2022 to support oversight and increase the frequency of risk reviews.



## **7. Risk Management Annual Plan 2021-2022**

- 7.1 Whilst not a statutory requirement, it is considered best practice to prepare a plan that outlines activity to continuously improve risk management. The plan is attached at Appendix C for the committees review and agreement. Completion of the plan is subject to the successful recruitment of both a Risk & Insurance Manager and a Risk Officer.

## **8. Conclusion**

- 8.1 Risk management remain an important feature of good governance and the Council's approach to risk management has matured during 2020/21 which has been demonstrated through the proactive risk management during the response to Covid-19 pandemic. The current risk management arrangements are reasonable, but there is some room for improvement to better integrate risk management into the day to day operations and culture of the Council and this will be a key focus of work during 2021-2022.