

AUDIT COMMITTEE

Risk Management Progress Report

25 May 2022

Report of the Chief Finance Officer

PURPOSE OF REPORT

To update the Audit Committee on the progress made in relation to both strategic and operational risk management.

This report is public

RECOMMENDATIONS

1. **The Audit Committee notes the progress made in relation to the Council's strategic and operational risk management arrangements.**

1.0 BACKGROUND

- 1.1 In accordance with their terms of reference the Audit Committee is charged in providing those charged with governance, independent assurance of the adequacy of the risk management framework. This involves monitoring the effective development and operation of risk management across the Council and monitoring progress in addressing risk-related issues reported to the Committee.
- 1.2 The Council continues to recognise the importance of identifying, evaluating, and managing all key and service risks that could affect the achievement of its priorities, objectives, and activities. Risk Management is fundamental to the Council's governance and contributes greatly to the successful delivery of services and the key priorities.

2.0 PROGRESS TO DATE

- 2.1 The Internal Audit and Assurance Manager presented a report to this Committee 24th March 2021 which provided an update on the progress made in relation to both strategic and operational risk management and sought approval of the Council's refreshed Risk Management Policy.
- 2.2 The Council procured GRACE risk management software and with the agreement of the Director or Corporate Services risk management training would be delayed whilst Internal Audit worked with Service Managers to identify key operational risks for their services. This was to allow a more tailored training package to be delivered ensuring it was appropriate for the varying levels of knowledge and understanding of risk across the organisation.
- 2.3 There has been little change to the strategic risk register since it had been last reported to the Audit Committee. Whilst it was hoped that the Internal Audit Plan for 2021/22 would have been derived from the strategic risk register (the golden thread) unfortunately this had not been possible given the register was still considered to be in its infancy and required further development.

- 2.4 Members will be aware the arrangement with Wyre Borough Council for the provision of Head of Internal Audit services ended 31st March 2021 and that the Council procured Mersey Internal Audit Agency (MIAA) to deliver its Internal Audit service for 2021/22 and 2022/23. Given this change and redefining of certain roles and responsibilities, corporate ownership of Risk Management was placed with the Director of Corporate Services from 1st April 2021.
- 2.5 At the request of the Chair of the Audit Committee and the Council's s151 Officer MIAA are currently undertaking a review of the Council's Risk Management arrangements looking at areas such as
- Strategic Policy and Documentation
 - Corporate ownership and responsibility throughout the Council
 - How we identify, record, assess, score, moderate, monitor, escalate and close risks
 - Governance and reporting arrangements
- 2.6 The Council delivers a wide range of service, functions and projects. Effective systems of risk management are key to successful delivery. Across the Council there are many documented examples of how operational risk is considered and managed. Ensuring a consistent and proportionate approach across the Council is a focus of corporate activity It is hoped that this review once concluded will recognise the work to date and provide a clear pathway outlining the work required to embed Risk Management within the Council

3.0 FINANCIAL RISK MANAGEMENT

3.1 Despite some of the issues noted above, risk management is practiced and delivered within the Council to a variety of degrees. Without wishing to influence, undermine or compromise the ongoing work of Internal Audit in this area, the following may be considered broad examples of the arrangements employed to assess and manage the financial risks faced by the Council.

3.2 Identification/ Analysis/ Evaluation

Medium Term Financial Strategy (MTFS) sets out some of the key financial risks for the next 4 years and a range of scenarios

- 4 Year Capital Programme and supporting Strategy
- 4 Year Treasury Management Strategy
- Reserves forecasts and Strategy
- Project Team - Mandatory completion of HMT Green Book compliant documentation which mandates consideration of risks and mitigations/ management arrangements.

3.3 Management

Outcomes Based Resourcing – Phase 1 has been delivered and we are currently looking to procure a delivery partner to take forward Phase 2 delivery

Extensive Member Engagement through forums such as

- Cabinet Briefings: Discussions around financial and non-financial risks around current issues and upcoming reports
- Capital Assurance Group: Consideration of capital investment proposals
- Financial Resilience Group: Consideration financial issues affecting the Council

Proposed Member Training in light of Ethical and Sustainable Investments and Financing reviews

The s151 and Monitoring Officers are now part of the Council's Executive Team and as able to influence decision making at a greater degree

3.4 Reporting/ Monitoring & Review

Ongoing monitoring and scrutiny of quarterly Delivering our Priorities reports linking projects, financial and non-financial performance
Treasury Management Reporting in line with Prudential Code requirements
MTFS review and refresh as part of the Council's annual budget cycle

4.0 DETAILS OF CONSULTATION

4.1 No specific consultation has been undertaken in compiling this report, however the Internal Audit team are working with the s151 in undertaking the current review to assist with the embedding of risk management going forward.

5.0 OPTIONS AND OPTIONS ANALYSIS

5.1 As the report is for noting no alternative options are put forward, but the Committee could make supplementary recommendations regarding any matters arising.

6.1 CONCLUSION

6.1 The Audit Committee are informed of the Council's progress made in relation to strategic and operational risk management.

CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

This report has no direct impact on these areas.

FINANCIAL IMPLICATIONS

None arising directly from this report.

SECTION 151 OFFICER'S COMMENTS

Risk management drives many aspects of Internal Audit's work and whilst the report recognises aspects of risk management are being undertaken, work remains to further embed it throughout the Council.

LEGAL IMPLICATIONS

None arising directly from this report.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS	Contact Officer: Paul Thompson Telephone: 01524 582603 E-mail: pthompson@lancaster.gov.uk Ref:
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[Agenda for Audit Committee on Wednesday, 24th March 2021, 4.30 p.m. - Lancaster City Council](#)