

**AUDIT AND GOVERNANCE COMMITTEE**

**26 July 2019**

**RISK AND ASSURANCE MAP UPDATE – 2019/2020**

**Report of the Assistant Director of Business and Property Services**

**1. Purpose of Report**

- 1.1 To enable the Audit and Governance Committee to consider:
- the updated Risk and Assurance Map and supporting Strategic and Corporate Risk Profiles based on assurances gathered from a range of sources;
  - work undertaken by the audit, risk and assurance service during the year; and
  - the performance of Internal Audit.
- 1.2 The report covers work undertaken for the Council and Council owned companies.

**2. Description of Decision**

- 2.1 The Audit and Governance Committee are asked to note and consider the report.

**3. Background/Introduction**

- 3.1 In April 2019 the Committee approved the proposed Risk and Assurance Map for 2019/20 and the plans of work for Internal Audit and Risk & Assurance. These plans of work are directly derived from the Strategic and Corporate Risk Profiles which are updated as appropriate and in line with changes to the former Corporate Plan.

**4. Risk and Assurance Map**

- 4.1 The current Risk and Assurance Map is attached at Appendix 1. The cumulative risk scores and assurance position are updated on a quarterly basis with the relevant senior officers. The 'X's in the assurance columns show where assurance is expected to be received from.
- 4.2 There are two changes to the Risk and Assurance Map, the first is in relation to Together for Children Limited (TfC), the assurance provided by financial resources has increased to moderate/amber. Over the past year, the quarterly updates have reported an improving trend, although the rating

remained at limited/red.

- 4.3 The 2019/20 budget setting process involved a rebasing of the contract value with TfC, although this continued to require savings (£5m) which was consistent with the scale of the challenge set to other parts of the Council. The first budget monitoring review of the year is forecasting a pressure of £3.5m, but this scale of pressure is consistent with other areas of the Council, especially those facing demand pressures. Work is however ongoing in relation to achieving cost reductions in the current year, and that sub-set of the financial resources assessment has remained as limited/red. Despite the improved financial resources rating, the overall assurance position remains as red.
- 4.4 The second change is to the risk rating for the key risk area of Strategic Financial Management which has changed from Green to Amber. This is due to the uncertain impacts on the Local Government financial position from a change in Prime Minister and cabinet and uncertainties around Brexit and the impact this may have on funding sources and levels.
- 4.5 The Strategic Risk Profile (SRP) and Corporate Risk Profile (CRP) are currently being updated in line with the new City Plan. This is therefore the last report regarding the current versions. They have however been updated to show the current risk scores and assurance positions based upon meetings with Chief Officers or senior representatives (for the SRP) and review by the Assistant Head of Assurance (for the CRP). Copies of the updated Profiles are attached at Appendices 2 and 3 respectively.

#### Strategic Risk Areas

- 4.6 The top section of the Map relates to the strategic risks identified in the Strategic Risk Profile. The changes to the Strategic Risk Profile since the last meeting are as follows:
- The risk score for R019 (*“Activity to improve the care options for adults does not meet the needs of individuals or result in reduced costs to the Council.”*) has reduced from 6 to 3. This is due to the activity being undertaken to improve the care options provided, including technological solutions.
  - The risk score for R022 (*“Opportunities are not taken to enable individuals to mitigate the impact of welfare reforms.”*) has reduced from 6 to 3. This is due to activity to support individuals and families through the introduction of Universal Credit. The Neighbourhoods Directorate has commented that there has not been the degree of adverse impact that was originally anticipated.

#### Corporate Risk Areas

- 4.7 The middle section of the Map shows the cumulative risk assessments and the assurance levels relating to the risks identified in the Corporate Risk

Profile. AS highlighted in paragraph 4.4 above there has been a change in the current risk position regarding Strategic Financial Management. The risk description for CR023 has changed from

*‘Strategic financial plans fail to take into account all critical factors likely to affect the Council's finances moving forward, e.g. changes in government funding streams, changes in amounts of funding, inflation, pay awards, potential liabilities etc.’*

To:

*Strategic financial plans are at risk due to all critical factors likely to affect the Council's finances moving forward, e.g. change in prime minister and Cabinet ministers, impacts of a no-deal BREXIT, changes to funding streams, changes in amounts of funding, inflation, pay awards, potential liabilities etc*

The current risk score has therefore changed from 3 to 6 and an additional mitigating action has been included, as follows:

*‘Financial reporting arrangements clearly highlight the impacts of known risks to strategic financial plans.’*

#### Council Owned Companies

- 4.8 The bottom section of the Map shows the Assurance position in relation to Companies that are wholly owned by the Council and are part of the group for the financial statements. As Siglion LLP is now wholly owned by the Council it will be added to the Map and audit arrangements developed.
- 4.9 Assurance from Financial Resources in relation to the financial management position within Together for Children Ltd has improved from Limited (Red) to Moderate (Amber).

#### Assurance from Internal Audit

- 4.10 The audits to be carried out this year and the detailed results of completed Internal Audit work are shown at Appendix 4, with the summary outcomes shown on the Map. Appendix 4 shows all of the opinions, including those from previous years, which have been considered in determining the overall assurance level. Those audits shown in grey are those in previous years where it became not appropriate to complete the audit at that time.

#### Assurance from Risk and Assurance Team

- 4.11 Areas that the Risk and Assurance Team are currently involved in are shown below. Much of their work is ongoing over a period of time, however, where ongoing assurance can be provided from their work this is shown on the Map. Assurance work within the last quarter has included:

- Major capital schemes such as the development stage of the SSTC Phase 3, the International Advanced Manufacturing Park, and existing enterprise zones.
- Corporate projects, including the introduction of Office 365 and the move to Cloud technology, SAP self-service arrangements for HR and procurement activities and the new Civic Centre.
- Risks in relation to Brexit.
- Risks in relation to information governance and security.
- National Fraud Initiative data matching exercise.
- Arrangements in relation to anti-money laundering.

#### Assurance from others within the Council

- 4.12 Assurance provided from others within the Council is shown in the Risk and Assurance Map. There are no changes since the last report other than those in relation to Together for Children Limited.

#### Assurance from Management

- 4.13 Arrangements are in place to obtain assurance from all service areas within the Council.

#### Assurance from External Sources

- 4.14 The Map includes assurance from relevant external sources. There are no changes since the last report.

#### Overall

- 4.15 The overall assurance levels are either green or amber, with the exception of the Red ratings relating to Children's Safeguarding.
- 4.16 The Risk and Assurance Map was recently considered by officers of the Chief Officer Group and the issues raised above highlighted.

### **5. Internal Audit Performance**

- 5.1 The performance in relation to targets set for Internal Audit is shown at Appendix 5.
- 5.2 Performance is on target for all KPI's apart from the percentage implementation rate for agreed actions in relation to schools. Due to the recent senior management restructure and the movement of services between directorates it has been almost impossible to re-calculate the implementation rate for the new directorates. Therefore, the rate is being calculated fresh from the follow ups undertaken in the current financial year. It is therefore likely that the rates will be more volatile for a period whilst the number of follow ups included builds up as any agreed actions not implemented will have a larger impact on the total. The implementation rate

for medium risk agreed actions is as follows:

Area	Implementation Rate
Council services	100%
Schools	86%

## **6. Conclusion**

- 6.1 Results of the work undertaken so far during the year have not highlighted any issues which affect the overall opinion that the Council continues to have in place an adequate system of internal control.

## **7. Recommendation**

- 7.1 The Audit and Governance Committee are asked to
- Note and consider the report.

