

<b>Report to:</b>	<b>Audit and Standards Committee</b>
<b>Date:</b>	<b>14<sup>th</sup> September 2020</b>
<b>Title:</b>	<b>Strategic Risk Register Quarterly Review</b>
<b>Report of:</b>	<b>Chief Internal Auditor</b>
<b>Ward(s):</b>	<b>All</b>
<b>Purpose of report:</b>	<b>To report to Committee the outcomes of the quarterly review of the register by Corporate Management Team.</b>
<b>Officer recommendation(s):</b>	<b>To receive and note the update to the Strategic Risk Register</b>
<b>Reasons for recommendations:</b>	<b>The Council is committed to proper risk management and to regularly updating the committee with regard to the Strategic Risk Register.</b>
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## **1 Introduction**

- 1.1 The Strategic Risk Register is a high level document that records the key risks facing the council: those risks that would prevent the authority from achieving its overall strategies and objectives.
- 1.2 Maintaining the Strategic Risk Register is a vital part of the governance arrangements of the authority and, as such, it is overseen by the Corporate Management Team who review it on a quarterly basis.
- 1.3 The risk register shows the risk, a description of the risk, the risk score if no action is taken (original risk score), the internal controls put in place to mitigate the risk and the risk score after these controls are in place (current risk score).
- 1.4 The risk register is brought to the committee when any changes have been made to it following review by the Corporate Management Team.

## **2 Background to April 2020 Review**

- 2.1 When the strategic risk registers were reviewed in February it was agreed to update the risk "Council materially impacted by the medium to long term effects of an event under the Civil Contingencies Act" by the addition of a point in the description. The following point was added:

“Work adversely affected by reduced staff numbers due to the effects of pandemic virus”.

2.2 At that time Covid-19 had only just been named and had not been officially designated as pandemic. It was therefore decided not to raise the risk level at that time but to keep it under review.

2.3 The situation has changed dramatically and quickly since that report and the councils are now working in a completely changed environment. New pieces of work have been undertaken to deliver relief granted by the government as well as addressing perceived gaps in the voluntary sector. On top of this the councils are dealing with an exceptional increase in benefit applications and customer contacts. This has all happened alongside a sudden and unprecedented adjustment in the ways of working.

2.4 It is clear that, with the speed and extent of the changes to the ways of working, there would be an impact on processes and on the controls operating within those processes.

### **3. Report to Corporate Management Team**

3.1 A report was taken to the Corporate Management Team in April to report on the risks to the council as a result of the measures taken in response to the Covid-19 pandemic. The following areas were covered.

3.2 Ceased/relaxed controls – with the sudden change in ways of working it was clear that some controls may be relaxed or cease. An email was sent to all managers stating that the Internal Audit and Counter Fraud teams were still available to give advice on controls and to request that any changes to controls be reported to Internal Audit. Some requests for advice were received and dealt with and some changes in controls were reported. These areas have been noted and checks will be undertaken by Internal Audit and Counter Fraud on the work carried out during this period.

3.3 New areas of work – it was noted that new areas of work had been undertaken. These included the Business Rate Relief, Relief Grants, Hardship Grants and the packing and delivery of food parcels. Some initial investigations were undertaken and it appears that adequate controls had been put in place. However further checks will be undertaken by Internal Audit and Counter Fraud on the work carried out during this period at a later date.

3.4 General control risks – it was pointed out that with staff working outside of the office environment and with increased pressure to perform processes (especially the new ones) quickly there could be a tendency for individuals to relax controls. There is also the risk of redeployed staff not being aware of certain controls within the work they are being asked to carry out. Once again, further checks will be undertaken by Internal Audit and Counter Fraud on the work carried out during this period at a later date.

3.5 Financial Risks – the council are losing Business Rate income as well as income from theatres, events, conferences, catering, car parks etc. On top of this the

latest plans for making savings cannot be progressed and so significant targets cannot be met. This is likely to have a significant impact on the finances of the council going forward.

- 3.6 Health and Safety Risks – there are clear risks for the staff who are still in contact with the public. However, there may be hidden risks with the staff who are working from home. These could be suffering mentally from being in lockdown but also are likely to be working whilst sitting at tables and on chairs that are not designed for sitting on/at for long periods. This could build up physical issues which will impact on sickness levels at a later date.
- 3.7 Other risks – there are a range of other risks that have been highlighted such as issues taking payments for some licences over the phone, increased fly-tipping, payments to contractors and the reputation risk to the council (for example, negative feedback about the speed of arranging relief grants).
- 3.8 The report to the Corporate Management Team therefore recommended that, as the council is currently in uncharted territory, the fuller implications of the risks cannot be properly measured and so the following changes to risk levels are suggested, bringing relevant risk scores to the highest level until a better idea can be gained of possible outcomes.

<b>Risk</b>	Changes to the economic environment makes the council economically less sustainable.
<b>Last risk score</b>	Likelihood 5, Impact 5.
<b>Reason for change</b>	It is clear that the economy is going to be affected and it is not yet clear whether local authorities will be sufficiently funded to cover the impact of reduced income.
<b>Suggested risk score</b>	This is already at the highest risk level so cannot be raised.

<b>Risk</b>	Unforeseen socio-economic and/or demographic shifts creating significant changes of demands and expectations.
<b>Last risk score</b>	Likelihood 3, Impact 3
<b>Reason for change</b>	It cannot be known yet the full impact of the pandemic but there has already been a jump in benefit applications and there could be increased homelessness and demand for council homes.
<b>Suggested risk score</b>	Likelihood 5, Impact 5.

<b>Risk</b>	Council prevented from delivering services for a prolonged period of time.
<b>Last risk score</b>	Likelihood 2, Impact 4
<b>Reason for change</b>	Whilst there has been no prevention of delivery it has become more difficult.
<b>Suggested risk score</b>	Likelihood be raised to at least 3.

<b>Risk</b>	Council materially impacted by the medium to long term effect of an event under the Civil Contingencies Act
<b>Last risk score</b>	Likelihood 3, Impact 3.
<b>Reason for change</b>	There are already signs that the lack of income and not being able to make the saving intended will have a significant impact.
<b>Suggested risk score</b>	Likelihood 5, Impact 5.

<b>Risk</b>	Commercial enterprises that are fully controlled by the authority do not deliver financial expectations or do not meet governance requirements.
<b>Last risk score</b>	Likelihood 5, Impact 3.
<b>Reason for change</b>	The long terms effects of the current pandemic on companies cannot be currently judged
<b>Suggested risk score</b>	Likelihood 5, Impact 5.

3.9 All of these risk levels will be reviewed as time goes on once there is a better idea of just how the councils will be affected by the current situation.

#### 4. Decision by Corporate Management Team

4.1 At the meeting the Corporate Management Team agreed with the suggested risk scores with the exception of the risk “Council prevented from delivering services for a prolonged period of time” where it was agreed to raise the Likelihood score to 4.

4.2 Corporate Management Team also asked for the following footnote to be added to the Strategic Risk Register to refer to all of the risks listed at 3.8 above.

“These scores reflect the current situation regarding the Coronavirus Pandemic and the uncertainty in respect of its full impact and timeline. Mitigations that have been put in place include:

- ensuring that the council, as part of a regional network of partners, is able to undertake its civil contingencies duties in response to the national emergency
- the creative redeployment of staff and resources to enable sufficient capacity to respond to the needs of the community and maintain priority services in line with a robust business continuity focused approach
- maintaining an accurate record of all business impacts and cost implications attributable to the current situation and providing ongoing information to the Government to assist the process of reimbursements
- keeping the strategic risks under constant review and modification in response to the ongoing national and local situation

In stating all of the above, it must be noted that the council's ability to maintain and implement mitigating actions and future recovery is very heavily dependent on the degree to which Central Government is able to compensate Local Government financial impacts relating to increased costs and income loss arising from the full extent of the Covid-19 national emergency."

- 4.3 Finally, it was also requested that a new risk be added to the risk register and this is shown below and appears on the attached risk register as SR\_011.

<b>Risk</b>	Judicial challenge of decision-making is heightened as a consequence of increased reliance on use of officer delegated powers
<b>Description</b>	<p>There is scope for the public audience, members of whom may be directly or indirectly affected by Council decisions, to increase once they can routinely hear (and see) meetings from the comfort of their homes. So, the number of people who may be in a position to mount a challenge may similarly increase.</p> <p>There is potential for successful challenges where lapses in IT connectivity may mean that decisions are made where members have not heard and taken into account all relevant information and/or where key public or other participants have not been able to participate in the meeting due to technology failure.</p> <p>The officer resource needed to defend the councils against this type of challenge will be significant</p>
<b>Original risk score</b>	Likelihood 4, Impact 4.
<b>Mitigating Actions</b>	<p>Use of delegated powers to be adequately recorded.</p> <p>Work closely with IT to ensure that technological issues are kept to a minimum.</p> <p>Issue minutes of meetings as soon as practicable.</p>
<b>Current risk score</b>	Likelihood 4, Impact 4.

## 5 August 2020 review

- 5.1 The updated risk register was taken back to the Corporate Management Team in August to reconsider the scoring of the risks. It was agreed that no scores required amendment at this time.

## 6. Financial appraisal

- 6.1 There are no financial implications arising from this report.

## **7. Legal implications**

- 7.1 This report demonstrates compliance with regulation 3 of The Accounts and Audit Regulations 2015, which requires the Council to operate a sound system of internal control, including effective arrangements for the management of risk.

*Lawyer consulted 06.08.20*

*Legal ref: 009433-LDC-CK*

## **8. Risk management implications**

- 8.1 If the Council does not have an effective risk management framework that is subject to proper oversight by Councillors it will not be able to demonstrate that it has in place adequate means to safeguard Council assets and services, and it could be subject to criticism from the Council's external auditor or the public.

## **9. Equality analysis**

- 9.1 An equalities impact assessment is not considered necessary because the report is for information only and involves no key decisions.

## **10. Appendices**

- Appendix 1 - Strategic Risk Register

## **11. Background papers**

None