

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2023/24

<p>GOVERNANCE AND AUDIT COMMITTEE</p> <p>12th OCTOBER 2023</p>	<p>AGENDA ITEM NO. 9</p>
<p>REPORT OF THE DEPUTY CHIEF EXECUTIVE AND GROUP DIRECTOR – FINANCE, DIGITAL AND FRONTLINE SERVICES</p>	<p>RISK MANAGEMENT STRATEGY AND STRATEGIC RISK REGISTER UPDATE</p>

Author: Paul Griffiths – Service Director: Finance and Improvement Services

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to provide the Governance and Audit Committee with an updated Risk Management Strategy together with the latest agreed Strategic Risk Register for the 2023/24 financial year.

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Review the Council’s updated draft Risk Management Strategy (Appendix 1).
- 2.2 Endorse the Council’s updated draft Risk Management Strategy and its reporting to Cabinet for consideration and, if deemed appropriate, approval.
- 2.3 Review the Council’s updated 2023/24 Strategic Risk Register (Appendix 2) and determine whether it provides the required level of assurance on the arrangements in place to manage the Council’s strategic risks.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To assist the Governance and Audit Committee in discharging its responsibilities in respect of overseeing the Council’s risk management arrangements, in line with its Terms of Reference.

4. BACKGROUND INFORMATION

- 4.1 The Governance and Audit Committee’s Terms of Reference states its Statement of Purpose is as follows:
-

The Governance and Audit Committee is a key component of Rhondda Cynon Taf County Borough Council's corporate governance. It provides independent and high level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the Governance and Audit Committee is to provide independent assurance to the Members of Rhondda Cynon Taf County Borough Council of the adequacy of the risk management framework and the internal control environment. It provides independent review of Rhondda Cynon Taf County Borough Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

- 4.2 In addition, Section C of the Committee's Terms of Reference goes on to identify the following responsibility in respect of the Council's Risk Management arrangements:

Review, scrutinise and issue reports and recommendations on the appropriateness of the Authority's risk management, internal control and corporate governance arrangements, and providing the opportunity for direct discussion with the auditor(s) on these.

Risk Management – The role of the Governance and Audit Committee

- 4.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) publication 'Audit Committees – Practical Guidance for Local Authorities and Police 2018 Edition' sets out that the role of the audit committee in relation to risk management and covers three main areas. Table 1 provides an overview of the arrangements in place to support the Governance and Audit Committee to discharge its responsibilities in this regard.

Table 1 – Arrangements to support the Governance and Audit Committee discharge its responsibilities in respect of Risk Management

CIPFA Practical Guidance	Arrangements in place
1. Having assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements	<ul style="list-style-type: none"> • The Governance and Audit Committee reviews and oversees the Council's Risk Management arrangements, providing support and challenge. For example, where the Committee determines material changes are required to the Risk management Strategy, it recommends a revised Strategy to Cabinet for approval. The Governance and Audit Committee's latest review of the Council's Risk Management Strategy was at its 23rd March 2022 meeting, with an updated Strategy subsequently reported to and approved by the Council's Cabinet on 18th July 2022. • Risk Management arrangements are included within the Internal Audit Annual Plan i.e. a 'Corporate Risk Management' internal audit report

<p>and the top level ownership and accountability for risks</p>	<p>issued for 2022/23 (a Reasonable Assurance Opinion) and a 'Corporate Risks' internal audit assignment is incorporated into the Internal Audit Risk Based Plan for 2023/24. The conclusions from Internal Audit reports are presented to the Governance and Audit Committee.</p> <ul style="list-style-type: none"> • Operational risks (i.e. risks that are not part of the Strategic Risk Register) are monitored as part of Service Delivery Plans within services. • The Governance and Audit Committee considers and comments on the Council's certified draft Statement of Accounts (SoAs)¹. The Council's certified draft 2022/23 Statement of Accounts were considered by the Governance and Audit Committee on 4th September 2023 alongside an overview of Accounting Policies and an update on the progress of the external audit of the draft SoAs. • The Governance and Audit Committee: <ul style="list-style-type: none"> ○ Reviews and agrees a recommended version of the Council's Annual Governance Statement (AGS) for inclusion within the Council's SoAs; and ○ Receives and reviews half yearly updates on the progress the Council is making to implement recommendations made within the AGS.
<p>2. Keeping up to date with the risk profile and the effectiveness of risk management actions</p>	<ul style="list-style-type: none"> • The Governance and Audit Committee: <ul style="list-style-type: none"> ○ Reviews the Council's Strategic Risk updates², providing opportunity for additional information to be requested where further assurance is required; and ○ Reviews the Council's draft Annual Self-Assessment, in line with the requirements of the Local Government and Elections (Wales) act 2021, prior to consideration / approval by full Council. • As part of the Governance and Audit Committee's annual work programme, the Committee reviews and challenges: <ul style="list-style-type: none"> ○ The Head of Internal Audit Annual Report; ○ The Council's AGS that covers the Council's approach to managing risk. ○ The Governance and Audit Committee Annual Report (incorporating a self-assessment against the CIPFA 2018 Practical Guidance); and ○ Treasury Management arrangements.

¹ Certified draft Statement of Accounts – the Governance and Audit Committee also considers the certified draft Statements of Account for the Rhondda Cynon Taf Pension Fund, Central South Consortium Joint Education Service Joint Committee and the Annual Return for Llwydcoed Crematorium Joint Committee at the same time as considering the Council's certified draft Statement of Accounts

² Strategic Risk Updates – the Strategic Risk Register is updated on a quarterly basis and included within the Council's quarterly Performance Reports (and in doing so integrates strategic risk monitoring with Corporate Plan priority reporting) – quarterly Performance Reports are reported to the Council's Cabinet and thereafter scrutinised by the Overview and Scrutiny Committee.

CIPFA Practical Guidance	Arrangements in place
<p>3. Monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management.</p>	<ul style="list-style-type: none"> • As part of the Governance and Audit Committee's annual work programme, the Committee provides support and challenge on: <ul style="list-style-type: none"> ○ The audit opinions issued in respect of individual audit assignments undertaken by Internal Audit (to enable the Committee to form an opinion on the standard of internal control in operation across the Council); ○ Counter fraud updates; and ○ Anti-fraud, bribery and corruption and whistle-blowing annual reports. • The Governance and Audit Committee receives Audit Wales reports on, amongst other things, the Council's governance arrangements that include recommendations for improvement accompanied by the actions the Council is taking to address the recommendations. This enables the Committee to form a view on the extent of progress the Council is making to implement the recommendations reported by Audit Wales. • The Governance and Audit Committee utilises the provision of 'Follow-up Reviews' where the standard of internal control on individual audit assignments are deemed to be insufficient, demonstrating the Committee's recognition of risk and taking proactive steps to support improvement where deemed appropriate to do so.

4.4 In addition to the above and as Members will be aware, the Committee's work is informed by, amongst other things, the Internal Audit Risk Based Plan, the Audit Wales Audit Plan (and in-year work programme updates) and the Governance and Audit Committee's own work programme for each Municipal Year, to help ensure the delivery of its Terms of Reference.

5. RISK MANAGEMENT STRATEGY

5.1 The Council's Risk Management Strategy is kept under regular review, with the latest update endorsed by the Governance and Audit Committee and subsequently agreed by the Council's Cabinet in July 2022.

5.2 During 2022/23, the Council's Risk Management Strategy was reviewed by Internal Audit as part of the 'Corporate Risk Management' audit assignment, and included a Risk Management Strategy related recommendation for the roles and responsibilities of risk owners to be set out within the Strategy (this also being a recommendation within the 2022/23 AGS).

5.3 In line with this recommendation, the key roles and responsibilities have been incorporated within Section 9 of the Risk Management Strategy, to in effect document the arrangements in place within the Council. For ease of reference, the proposed update has been replicated in Table 2, with the updated Risk Management Strategy included as Appendix 1.

Table 2 – Key roles and responsibilities

Cabinet	<ul style="list-style-type: none"> • To approve the Council's Risk Management Strategy (including risk appetite) and any material changes to the Strategy on an on-going basis. • To approve the Strategic Risk Register. • To monitor progress in the management of Strategic Risks. • Hold the Senior Leadership Team accountable for the effective management of risk.
Governance and Audit Committee	<ul style="list-style-type: none"> • To ensure the Council has effective risk management processes in place (including the review and challenge of arrangements and strategic risks). • Support and promote effective risk management.
Senior Leadership Team	<ul style="list-style-type: none"> • To determine the Council's Risk Management Strategy (including risk appetite) for consideration / approval by Cabinet, and to keep under on-going review. • Make arrangements to deliver the Council's Risk Management Strategy (including the identification of strategic risks, actions to manage strategic risks and monitoring / reporting arrangements). • Support and promote effective risk management.
Section 151 Officer	<ul style="list-style-type: none"> • Active involvement in all material business decisions to ensure short, medium and long-term implications, opportunities and risks are fully considered. • Support and promote effective risk management.
Risk Owners (Strategic and Operational Risks)	<ul style="list-style-type: none"> • Accountable for the management and control of all aspects of assigned risks, including determining, authorising, implementing, monitoring / updating and reporting of controls and actions to address the threats and maximise the opportunities.
Service Managers	<ul style="list-style-type: none"> • To support: <ul style="list-style-type: none"> ○ The Senior Leadership Team in the identification of Strategic Risks; and ○ Risk Owners in the management, monitoring and reporting arrangements of Strategic and Operational Risks.

	<ul style="list-style-type: none"> • Put in place effective risk management arrangements for their areas of responsibility to ensure the Council’s exposure is at an acceptable level. • Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, alongside clear lines of accountability.
Internal Audit	<ul style="list-style-type: none"> • Assess the effectiveness of the risk management strategy (and associated arrangements) and the control environment in mitigating risk. • Support and promote effective risk management.
All staff	<ul style="list-style-type: none"> • Support the identification of risks and contribute to their management, as appropriate.

5.4 The Governance and Audit Committee is requested to review and if deemed appropriate, endorse the proposed update as set out in Table 2. Subject to the Committee’s consideration, an updated Risk Management Strategy will be reported to Cabinet for review and, if deemed appropriate, approval.

6. **STRATEGIC RISK REGISTER (2023/24)**

6.1 The Senior Leadership Team has reviewed and updated the Strategic Risk Register, in consultation with Risk Owners, with the revised Register (Appendix 2) being reported to the Council’s Cabinet on 18th September 2023 as part of the [Quarter 1 Performance Report for 2023/24](#). The review undertaken took into account the recommendations from the Internal Audit report ‘Corporate Risk Management’.

6.2 For Members information, the key areas considered by the Senior Leadership Team in reviewing Strategic Risks are set out below together with the outcomes of the review process.

Risks removed due to mitigating actions reducing the likelihood and/or impact to an acceptable level (in line with the Council’s risk appetite).

6.2.1 Table 3 sets out the risks removed from the Register along with the associated rationale.

Table 3 – Risks removed from the Strategic Risk Register

Risk	Reason for removal from the Strategic Risk Register
<p>Risk 21 – Given the shift in approach to services being delivered on a regional footprint, if services are delivered to citizens and staff of Rhondda Cynon Taf using this method, then appropriate arrangements must be in place to ensure that the interests of all current stakeholders are appropriately represented, and that service delivery does not fail / suffer.</p>	<p>Established arrangements are in place for the Cardiff Capital Region City (along with transitional arrangements to the South-East Wales Corporate Joint Committee) and the Public Services Board, with senior officers from the Council supporting both areas.</p> <p>More widely, where work is being progressed to consider the delivery of services on a regional footprint, these are included within specific strategic risks (as appropriate).</p>
<p>Risk 25 - If the planning arrangements to support the on-going recovery from Covid-19 are not joined up and delivered with partners, then the capability of the Council to support the required improvements to the health and economic well-being of the County Borough will be diminished / fragmented.</p>	<p>This risk is now sufficiently mitigated to be removed from the strategic risk register, the ongoing management of the risk will take place at an operational level and managed within 'business as usual systems.</p>
<p>Risk 29 - If the Council does not have a strategic approach to fulfilling its counter terrorism duties set out in the Counter Terrorism and Security Act 2015 and new Welsh Government Contest Strategy launched in 2021 there is a legal, financial and reputational risk to the Council in the event of a terrorist attack or incident in RCT.</p>	<p>Assurance in place on the arrangements in place and the wider progress being made to support preparedness, in particular:</p> <ul style="list-style-type: none"> • The CONTEST Board and CHANNEL Panels continue to operate effectively for RCT. • The capacity of the Council to fulfil the new and emerging requirements of the Wales CONTEST Strategy are being reviewed to ensure they are adequate and resilient. • The Crime and Disorder Scrutiny Committee has considered the work that is being done in relation to CONTEST and the preparedness of the Council for the new PSPG duties and was assured by work undertaken. • A Prevent Duty Delivery Plan is in place and monitoring arrangements established which

	<p>are reported to the Home Office on a regular basis. The Home Office undertook a benchmarking assurance check on the Council's preparedness and provided a positive report on its findings.</p> <ul style="list-style-type: none"> • The RCT PSPG is in place although work is in progress to draft terms of reference to ensure effective discharge of current and emerging statutory duties. <p>The training programme for key managers and officers in relation to the work of the PSPG was completed and feedback evaluated to inform ongoing training and development requirements.</p>
--	---

New strategic risks incorporated into the Strategic Risk Register

6.2.2 The following new strategic risks have been incorporated into the Register:

- Risk 30 - If short and long term arrangements are not put in place to increase the capacity of specialist placements for pupils with highly complex and significant Additional Learning Needs the Council will not meet its statutory duty to provide appropriate additional learning provision to pupils and there will be additional costs incurred by the Council for costly out of county specialist placements.
- Risk 31 - A future pandemic where the Council has not learnt from its experiences from the Covid19 pandemic and have in place robust contingency plans that results in a lack of preparedness could adversely impact service continuity, health protection system responses and the delivery of support to residents, businesses and communities.

Review of Risk Scores

6.2.3 Following a review of impact and likelihood ratings, a summary of risk scores is set out in Figure 1.

Figure 1 – Summary of risk scores within the Strategic Risk Register

Impact	5 – Major		3	4	6	
	4 – High		1	2	1	
	3 - Moderate					
	2 – Minor					
	1 - Trivial					
		1 Highly Unlikely	2 Unlikely	3 Likely	4 Very Unlikely	5 Almost Certain
		Likelihood				

High Risks 11
Medium Risks 6
Low Risks 0

6.3 As part of the above process, risk descriptions, control and actions were also reviewed and updated.

6.4 The Governance and Audit Committee is requested to consider the updated Strategic Risk Register (Appendix 2) and determine whether it provides the required level of assurance on the arrangements in place to manage the Council's strategic risks.

7. EQUALITY AND DIVERSITY IMPLICATIONS AND SOCIO-ECONOMIC DUTY

7.1 There are no equality and diversity or socio-economic duty implications as a result of the recommendations set out in the report.

8. CONSULTATION

8.1 There are no consultation implications as a result of the recommendations set out in the report.

9. WELSH LANGUAGE

9.1 There are no Welsh language implications as a result of the recommendations set out in the report.

10. FINANCIAL IMPLICATION(S)

10.1 There are no financial implications as a result of the recommendations set out in the report.

11. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED

11.1 The Council's risk management arrangements satisfies the requirements placed upon it as set out within:

- Accounts and Audit (Wales) Regulations 2018 (regulation 4);
- CIPFA/SOLACE Delivering Good Governance in Local Government – Core Principle F; and
- Well-being of Future Generations (Wales) Act 2015.

12. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT

THE COUNCIL'S CORPORATE PLAN PRIORITIES

- 12.1 The Council's risk management arrangements support the delivery of the Council's Corporate Plan priorities by helping to identify risks that may adversely impact the achievement of objectives and outcomes.

WELL-BEING OF FUTURE GENERATIONS ACT

- 12.2 The Well-being of Future Generations (Wales) Act 2015 identifies a core set of activities that are common to the corporate governance of public bodies where change needs to happen. Risk Management is one of the identified core activities. The Council's risk management arrangements and strategic risk register conform to the requirements placed upon it by the Act.

13. CONCLUSION

- 13.1 The Council's Governance and Audit Committee plays a key role in supporting and challenging the Council's risk management arrangements and providing ongoing independent assurance around the adequacy of those arrangements, in line with its Terms of Reference.
- 13.2 The Committee is requested to consider the proposed update to the Risk Management Strategy and, if deemed appropriate, endorse the revisions for onward reporting to Cabinet.
- 13.3 The Committee is also requested to consider the updated Strategic Risk Register and determine whether it provides the required level of assurance on the arrangements in place to manage the Council's strategic risks.
-

LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

12th October 2023

RISK MANAGEMENT STRATEGY AND STRATEGIC RISK REGISTER UPDATE

**REPORT OF THE DEPUTY CHIEF EXECUTIVE AND GROUP DIRECTOR –
FINANCE, DIGITAL AND FRONTLINE SERVICES**

Paul Griffiths – Service Director: Finance and Improvement Services

Item: 9

Background Papers

None.

Officer to contact: Paul Griffiths
