

# Annual Risk Management Report

Cambridgeshire County Council  
2022/23

## 1. Background:

- 1.1 Risk Management is the process by which the Council understands and proactively considers the principal uncertainties and overall risks facing the organisation. Through effective risk management, we aim to optimise success by minimising threats. The objective is to ensure that risks that might impact upon the Council achieving its plans are identified and managed on a timely basis and in a proportionate manner.
- 1.2 The Accounts & Audit (England) Regulations 2015 require the authority to have a sound system of internal control, which includes effective arrangements for the management of risk. Robust risk management is an essential element of good organisational governance and a sound internal control system.
- 1.3 This Annual Risk Management Report provides an overview of key risk management processes and developments at Cambridgeshire County Council over the past 12 months. It supports the authority's Annual Governance Statement and the Code of Corporate Governance, as well as detailing the future areas of focus for further developing and enhancing risk management systems at the Council.

## 2. Risk Management Policy

- 2.1 The Council maintains a Risk Management Policy, which was reviewed in March 2022 and re-approved by the Strategy & Resources Committee.
- 2.2 In 2023, the Risk Management Policy and supporting guidance including the Risk Management Procedures and Risk Management Short Guide document were subject to a comprehensive review by the Internal Audit & Risk Management team. The Risk Management Policy has been refreshed, including a review of risk matrices, and the other guidance has been combined into a single Risk Management Toolkit.
- 2.3 The core risk management systems, processes, and risk appetite in place at Cambridgeshire have not changed significantly as a result of this review. Instead the aim has been to streamline and clarify existing guidance and make the Council's risk policies and procedures more accessible for officers.
- 2.4 The new draft Risk Management Policy is attached to this report as Annex B.

### **3. Cambridgeshire County Council Corporate Risk Register**

- 3.1 The Corporate Risk Register has been updated throughout the year and presented to CLT, the Strategy and Resources Committee and Audit & Accounts Committee at regular intervals.
- 3.2 The most significant updates to the Corporate Risk Register throughout the year included:
- Introduction of the new Risk 12 (“Climate Change”);
  - Splitting an existing risk (Risk 11, “Failure of Key Partnerships or Contracts”) into two separate risks covering the failure of key contracts (Risk 10) and the failure of collaborative working (Risk 11);
  - De-escalation of the risk “Insufficient infrastructure to deliver the Council's services” from the Corporate Risk Register, with the risk now captured across Directorate Risk Registers;
  - The risk ““The Council does not deliver its statutory or legislative obligations” was re-developed into the current Risk 5 “Failure of Corporate Governance”. The risk was re-named to provide a greater distinction between this risk and Risk 7, “Failure to deliver key Council services”.
- 3.3 A copy of the current Corporate Risk Register is attached to this report at Annex A.

### **4. CLT Risk & Assurance Meetings**

- 4.1 During 2022/23, Cambridgeshire’s Corporate Leadership Team has introduced new Risk & Assurance meetings. These formal meetings have a dedicated Terms of Reference intended to ensure regular detailed senior management oversight of the corporate and directorate risk registers, to reflect on feedback from Committee and to develop corporate oversight of risk and key independent assurances.
- 4.2 The first meeting of the CLT Risk & Assurance group was held on the 4<sup>th</sup> October 2022. Subsequent meetings have taken place on 5<sup>th</sup> January, 8<sup>th</sup> March and 5<sup>th</sup> July 2023.
- 4.3 Risk is also considered at general CLT meetings. In line with the Risk Management Toolkit, escalation of urgent and emerging risks should not be delayed by the quarterly cycle of CLT Risk & Assurance meetings, and urgent items on risk can be taken at any regular meeting of CLT.

## **5. Directorate Risk Registers**

- 5.1 Directorate Management Teams maintain their own risk registers and formally consider risk on a regular basis. Directorate risk registers are due to be reported to the relevant Committee on a routine basis, and are also scrutinised at CLT Risk & Assurance meetings.
- 5.2 Following the major Council restructure in 2022/23, there have been some significant changes to Directorate Risk Registers, including:
- The People & Communities Risk Register has been split into two separate risk registers, one for Children's and one for Adults. Each new register has been reviewed and updated by the relevant service.
  - A Risk Register for the new Strategy & Partnerships directorate has been developed with the assistance of the Internal Audit & Risk Management team, following individual risk workshops with all of the services which have moved into the new directorate.
  - The Place & Sustainability Risk Register has been significantly reviewed and revised with support from the Internal Audit & Risk Management team.

## **6. Risk Management System**

- 6.1 The Council's current corporate risk management system is GRACE (Governance, Risk & Control Evaluation), which is a system shared with other Councils that were formerly part of the shared LGSS Internal Audit & Risk Management service. GRACE is a specialist risk management and audit software which was developed for use within the UK public sector. This system is relatively low cost, and the Council has a corporate license permitting unlimited number of user licenses for the system.
- 6.2 At a meeting of the Strategy & Partnerships (S&P) directorate to discuss development of the new risk register, it was identified that historically some services within the new S&P directorate have been using the Council's POWA system (Project Online Web Application) as part of their directorate risk management processes. Following this meeting, the risk management team committed to formally review the possibility of using POWA for corporate risk management, and using this to replace GRACE.
- 6.3 The Internal Audit & Risk Management team identified a core service specification of key requirements that the POWA system would need to meet for it to be viable as a corporate replacement for GRACE. This covered reporting requirements, configuration of the relationship between risks, controls and triggers, minimum levels of information that would need to be captured and an audit trail requirement.

- 6.4 The risk management team met with staff within ITDS to explore the current use of the POWA system for project risk reporting and to discuss the risk system specification. The outcome of this was confirmation from ITDS that they are not able to configure the POWA system to meet the Council's requirements, and therefore in order to achieve a move to corporate risk management on POWA, it would need development by a third party developer.
- 6.5 As GRACE is currently meeting the Council's needs and is cost-effective, the corporate decision has been taken to retain GRACE as the Council's corporate risk management system holding the Corporate and Directorate Risk Registers for the immediate future. This may be revisited at a future date alongside further development of corporate risk, performance and project management systems.

## **7. Role of Internal Audit & Risk Management service**

- 7.1 The Head of Internal Audit & Risk Management at Cambridgeshire County Council has a role encompassing both Internal Audit and Risk Management support. Responsibility and accountability for implementing risk management activity is retained by management at Cambridgeshire County Council, including the assessment, control and mitigation of risk. The role of the Internal Audit & Risk Management service is to provide advice, support and facilitation for this process, rather than to undertake risk management activity directly, in order to maintain its independence.
- 7.2 As such, throughout 2022/23 the Internal Audit & Risk Management service has provided advice and guidance to services across the organisation on risk management, supported the update of risk registers and has facilitated risk workshops and the CLT Risk and Assurance meetings.
- 7.3 In addition to this, a new process of risk assurance reviews has been implemented by the Internal Audit & Risk Management team in 2022/23.
- 7.4 The Risk Register Assurance process is a subjective piece of consultancy work which aims to review and challenge individual risks on the Council's Corporate Risk Register, and to provide an independent assurance over the control of the risk. At the end of the process, a report on the risk is provided to the corporate Risk Owner and the CLT Risk & Assurance group, and the expected outcome is for the risk owner to update the Corporate Risk Register and as part of this, to develop an Action Plan to further strengthen corporate control of the risk, based on findings and recommendations from the review.
- 7.5 In 2022/23, two risk assurance reviews were carried out, which covered:
- Risk 8: "Failure of key contracts or partnerships" (report issued July 2022).

- Risk 9: “The Council is a victim of cyber crime” (report issued March 2023).

## 8. Risk Maturity Assessment

- 8.1 As part of the Audit Plan 2022/23, the Internal Audit & Risk Management team undertook an assessment of the Council’s risk maturity against an established risk maturity model published by the Institute of Internal Auditors (IIA).
- 8.2 This approach involved benchmarking the Council’s risk management processes against a model framework, to identify any gaps in current arrangements as well as to help plan and prioritise actions to further enhance and embed effective risk management at Cambridgeshire.
- 8.3 The table below shows the maturity of current risk management arrangements at Cambridgeshire County Council, as identified by the Risk Maturity Assessment:

Risk Stages	Definition	No. areas at this level
1. Risk enabled	<i>Risk management and internal controls fully embedded into the operations.</i>	9 (56%)
2. Risk managed	<i>Enterprise approach to risk management developed and communicated.</i>	0
3. Risk defined	<i>Strategy and policies in place and communicated. Risk appetite defined.</i>	6 (38%)
4. Risk aware	<i>Scattered silo approach to risk management.</i>	1 (6%)
5. Risk naive	<i>No formal approach defined to risk management.</i>	0

- 8.4 From testing the key areas of the Council risk management processes, the majority of areas reviewed were classed as ‘risk enabled’, while most other areas were ‘risk defined’. The one area that had a reduced opinion of ‘risk aware’ related to the lack of co-ordinated training on risk management for Council officers and members.
- 8.5 Internal Audit drafted an Action Plan to address the different parts of the Council that have been assessed as risk defined and risk aware, and move these areas towards a risk enabled approach. This has now been incorporated into a new Risk Management Strategy for 2023/24.

## 9. Looking Forward and Next Steps:

- 9.1 The next steps for further developing and enhancing the effectiveness of risk management activity at Cambridgeshire County Council are set out in the new Risk Management Strategy, which is attached at Annex C. The elements of Cambridgeshire County Council’s Risk Strategy are aligned to the five key principles

set out in the document *The Orange Book: Management of Risk – Principles & Concepts* (April 2023) published by the UK Government. These principles are: governance and leadership; integration; collaboration and best information; risk management process; and continuous improvement.

9.2 Some of the key actions for implementation in the 2023/24 year include:

- Development of an e-learning module on risk management which can be made available to all staff. Once completed this will be publicised internally via the intranet and to targeted staff.
- Re-introduction of the quarterly Corporate Risk Group meetings with Risk Champions from each service area.
- A full internal audit review of risk management to be undertaken in 2023/24.

9.3 Progress with implementation of the Risk Strategy will be reported to CLT Risk and Assurance meetings and on to Strategy & Resources and Audit & Accounts Committee. Implementation of the actions outlined in the Risk Strategy will support the Council in moving towards a consistently 'risk enabled' approach to risk management.