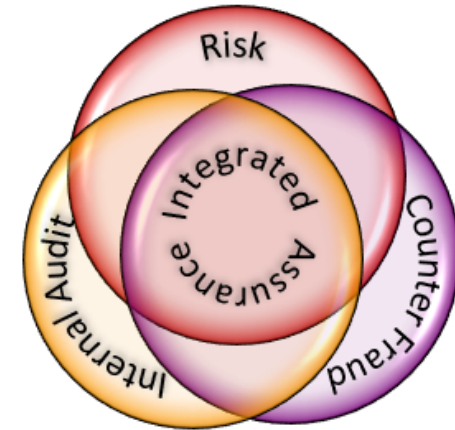Risk Management

Audit Committee

Risk Management Update 2023/2024

Devon County Council

February 2024
Official

devon **audit** partnership

Support, Assurance and Innovation

Introduction and purpose of this report

We continue to see an increased awareness of risk and positive approach to risk management across the Council. Senior Leaders and Services are ever more engaged and this helps to support the identification and management of risks. Being able to identify and mitigate risks is more important now than it ever has been. Risk management is a key tool in helping to increase the likelihood of Council success and resilience in the face of sustained change and challenges.

Devon Audit Partnership (DAP) continues to support the Council in its vision to "manage potential opportunities and threats in achieving its objectives". This risk update serves as a comprehensive overview for the Audit Committee, providing insight into the current risk performance, current work and tasks, trends and noteworthy points or topics.

Risk In Numbers

This graphic details the current risk information as of 15th January 2024.

Total Risks	Total V/High Risks	Total High Risks	Total Medium Risks	Total Low Risks
216	10	50	61	95

The above figures include all risks recorded on the DCC Risk Management System, including Budget Book risks, Devon Pension Fund, Peninsula Pensions and Project risks. Some of these are reported and monitored separately such as those for the Pension area.

As would be expected our attention is often focused on the risks that have the highest score and at this time the ten risks that have the 'Very High' rating are:

Children and Young People's Futures – Social Care	1. Demand for Children's Services exceeds the financial provision (managing unit cost pressures)	1. Major/Almost Certain > Very High (24)
	2. Demand for Childrens Social Work (managing demand for services and packages of care)	2. Major/Almost Certain > Very High (24)
	3. CYPF: Savings and cost management strategies (Budget Book risk)	3. Major/Almost Certain > Very High (24)
Children and Young People's Futures – Education and Early Help	4. High Needs Block/DSG Deficit (insufficient funding to meet demand)	4. Catastrophic/Almost Certain > (30)
	5. Failure to adhere to the statutory SEND Code of Practice: 0 to 25 Years	5. Major/Almost Certain > Very High (24)
HR	6. Recruitment and Retention	6. Major/Almost Certain > Very High (24)

Integrated Adult Social Care	7. OSLT-CM1 Failure of the Authority to meet its statutory obligations under The Deprivation of Liberty Safeguards (DoLS) 8. OSLT-CM12 Delivery of short-term services fails to fully meet the reablement needs of users referred to the service.	7. Major/Almost Certain > Very High (24) 8. Major/Almost Certain > Very High (24)
ICT	9. Corporate Services – ICT 10. Successful Cyber Attack	9. Major/Almost Certain > Very High (24) 10. Major/Almost Certain > Very High (24)

Further information on these risks are detailed in Appendix A.

Risk Update

Engagement with Leadership;

We are also pleased to attend Leadership Team Meetings for each service area, alongside our Internal Audit colleagues, this allows us to feed into audit plans, highlight risk areas and understand potential gaps in recorded risks.

Budget Book Risks.

As a result of continued financial pressures, any risk associated with the setting, monitoring and achievement of budgets are classed as 'Budget Book' risks. This approach was agreed with Senior Leaders in 2021, this work underpins a lot of what the council is trying to achieve and therefore, an understanding of the risks linked in this area is seen as a positive.

Currently, 65 risks sit within this Risk Register, the classification of these risks are detailed below:

Total Risks	Total V/High Risks	Total High Risks	Total Medium Risks	Total Low Risks
65	5	15	15	30

The Budget Book risk register can be viewed by Members at Budget Book Risk Recording.

Where a budget book Risk (as included in the published Budget Book) duplicates or overlaps with an existing service area risk, we have worked with officers to address this on the system and therefore avoid the effort in updating two risk records.

The Risk Management team has been tasked with providing support to the Budget Management Group and the Accountant Management Team meetings to provide challenge and support around these risks. There is a desire from Finance & Public Value leadership that financial risks should be regularly reviewed to respond to changes in the internal and external environment and to support the relevant officers in the achievement of goals. There are plans to support the regular 1-2-1

discussions with the accountancy team and relevant service area officers to utilise Risk Management tools and processes to increase success.

Clearly, budgets are of very high concern and present a very real risk, therefore the council must mitigate these risks to reduce the potential severity and likelihood of them occurring, we are pleased to be engaged in this area.

Future Finance Project.

Another key area in Finance and Public Value is the project to support the replacement of its legacy finance system 'Finest'. The project is due to proceed to the implementation of the new system with Unit 4. This project is due to be implemented in September 2024, the design phase (of which DAP has reviewed) has been completed and the project is now in the build phase.

Risk identification, analysis, mitigating, support and facilitation services have been provided for this project. Work continues to ensure that the risks are captured and recorded on the corporate risk register. The risk themes are recorded as follows;

- **Failure of Project Control**
- **Failure of Long-Term Benefits**
- **Functional Failure**

We continue to highlight areas of concern to the Project Leadership and the Board. Resource within the project team is of a high concern, a large and complex project requires skilled individuals, there are several vacancies with the team, which is causing concern and we have highlighted our concern to the project leadership.

SEND Finance

We are pleased to be supporting the SEND team (and wider DCC colleagues) in the response and management of SEND financial risks and challenges. Our work in this area includes;

- Working with the Risk Champion in this area for a full review of current risks, ensuring risks are accurately defined and scored. Mitigating controls have also been reviewed to check for effectiveness and relevance.
- Working alongside the Programme Manager and Project Leads, supporting the Safety Valve work. We have provided risk support in design, and we are scheduled (22/02/24) to facilitate a Risk Identification Workshop with the Programme Manager and Project Leads.
- DAP has provided 2 Full time positions to the SEND team to assist in identify payment and process errors. Brad Hutton (Senior Assurance Manager – Risk Management) is part of this work, this allows risk identification work in this area.

Changes in the risk picture;

Appendix A details the risks with a current score of 'Very high'.

Since the last report to Audit Committee, it is noted the following changes have been noted within the **Children and Young People's Futures** risk register: -

- Recent review by the service area resulted in an increase in the current risk scores for risk High Needs Block/DSG Deficit (insufficient funding to meet demand) and risk CYPF: Education and Learning – Schools budgets.

Since the last report to Audit Committee, it is noted the following changes have been noted within the **Integrated Adult Social Care** risk register:-

- Risk OSLT-CM12 Delivery of short-term services fails to fully meet the reablement needs of users referred to the service, replaces and supersedes the previous risk OSLT-CM2 of the same name, the newly worded risk and controls has been included to reflect the current commissioning model.

- Recent review by the service area resulted in an increase in the current risk scores for risk OSLT-CM1 Failure of the Authority to meet its statutory obligations under The Deprivation of Liberty Safeguards (DoLS), risk of Preventable death, injury or serious harm to an adult at risk as a result of institutional abuse and risk OSLT-CM3 Poor assessment and review performance results in needs and changes in circumstances not being appropriately matched to required support.

Since the last report to Audit Committee, it is noted the following changes have been noted within the **Legal and Democratic Services** risk register:

- A new Coroner's Service risk - Disruption to Inquests has recently been included by the Legal and Democratic Services area.

Other areas of focus:

New Risks

There has been a new Communities (council wide) risk developed, in consultation with other services and stakeholders, relating to the risk of Sudden Cessation of the Household Support Fund (£10m per annum). It remains to be seen whether funding is confirmed beyond 31 March 2024. Current risk score 16 : High.

There is a new risk in development relating to the risk to establishing the Combined County Authority (Devolution Deal), this risk will be managed by the Economy, Enterprise and Skills area and will be a council wide risk. Further information will be provided within the next report.

Shared Corporate Risks

The Risk Management team is working with SLT leads and Leadership Teams to address new and emerging shared corporate risks. A recent example of this is the risks associated with Artificial Intelligence (AI). We attended the Senior Leadership team on the 16th January 2024, to share this paper - AI Risk Identification. At the request of the Chief Executive, this item was shared by the Risk Management team at Extended Leadership Team, to specifically highlight the risks and opportunities from AI. This has subsequently resulted in the Risk Management Team working alongside ICT colleagues to formally recognise this risk and implement mitigating controls and processes to inform and guide staff.

Horizon Scanning

The Risk Management team continue to monitor the internal and external environment for upcoming potential risks and events that could significantly impact the council's ability to deliver its statutory services or achievement of its objectives. We also keep abreast of the global, national, and regional 'external' risk position and the impact of external risks on the Council, it's service and population.

The recently published World Economic Forum Global Risks Report 2024 includes the results from the Global Risks Perception Survey 2023-24 and explores some of the most severe risks we may face in the next decade, against a backdrop of rapid technological change, economic uncertainty, a warming planet and conflict. Global Risks Report 2024 | World Economic Forum | World Economic Forum (weforum.org). The Global Risks Report 2024 presents the findings of the Global Risks

Perception Survey (GRPS), which captures insights from nearly 1,500 global experts, the chart below details what risks will be present in the short term (2 years) and long term (10 years);

FIGURE C Global risks ranked by severity over the short and long term – Global Risks Report 2024 – WEF.

Our work in Risk Management is to ensure that relevant risks are flagged to leadership where appropriate, to allow further risks to be identified or existing risks to be enhanced.

<u>Power Dashboard –</u>

Maximising access to new software is enabling risk reporting to become more interactive and live. Power BI is used to provide a visual presentation of current risk information, the link below can be used to see the current risk reporting.

The Dashboard displays and overall risk profile for the Council and should provide both insight and assurance to the Committee that the risk management process is continuing to capture and update risks linked to current activities. The information within this dashboard is now updated from the Risk Register twice per week, providing the most up to date view of data. The Dashboard is evolving to ensure that the information held is presented in a clear and useable format.

Further details can be obtained from Devon Audit Partnership via Tony Rose (Head of Partnership) tony.d.rose@devon.gov.uk, or Brad Hutton (Senior Assurance Manager) Bradley.hutton@devon.gov.uk who will be pleased to receive your comments and thoughts on risk management within the Council.

Supporting Appendices

Appendix A – Risk Register Extracts

Appendix B – Risk Scoring Guidance

Appendix C – Power BI Extract
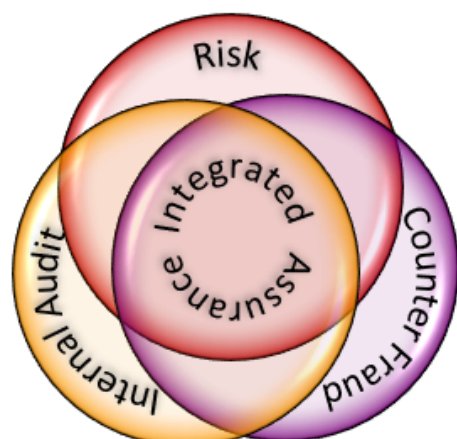
Appendix D – Audit, Risk & Counter Fraud Integration

Appendix A – An extract of the Very Highest Rated Risks Based on Current (Mitigated) Risk Score.

Risk Title	Service Area	Risk Category	Current Impact	Current Likelihood	Current Rating	Risk Owner	Accountable Officer	Change direction	Score change since last review
High Needs Block/DSG Deficit (insufficient funding to meet demand)*	Children and Young People's Futures - Education and Early Help	Financial	5 : Catastrophic	6 : Almost Certain	30: Very High	Kellie Knott	Stuart Collins	⬆	+ 6
Demand for Children's Services exceeds the financial provision (managing unit cost pressures)*	Children and Young People's Futures - Children's Social Care	Financial	4 : Major	6 : Almost Certain	24: Very High	Stuart Collins	Leadership Group	⬌	0
Demand for Children's Social Work (managing demand for services and packages of care)*	Children and Young People's Futures - Children's Social Care	Financial	4 : Major	6 : Almost Certain	24: Very High	Jassi Broadmeadow	Stuart Collins	⬌	0
CYPF: Savings and Cost Management Strategies	Children and Young People's Futures - Children's Social Care	Financial	4 : Major	6 : Almost Certain	24: Very High	Steve Liddicott	Stuart Collins	⬌	0
Failure to adhere to the statutory SEND Code of Practice: 0 to 25 Years	Children and Young People's Futures - Education and Early Help	Compliance	4 : Major	6 : Almost Certain	24: Very High	Kellie Knott	Stuart Collins	⬌	0
HR: Recruitment and Retention	Human Resources	Operational	4 : Major	6 : Almost Certain	24: Very High	Andrea Owen	Maria Chakraborty	⬌	0

Risk Title	Service Area	Risk Category	Current Impact	Current Likelihood	Current Rating	Risk Owner	Accountable Officer	Change direction	Score change since last review
OSLT-CM1 Failure of the Authority to meet its statutory obligations under The Deprivation of Liberty Safeguards (DoLS)	Integrated Audit Social Care – Adult Care Operations and Health	Operational	4 : Major	6 : Almost Certain	24: Very High	Sandra Geary	Gary Patch	⬆	+ 6
OSLT-CM12 Delivery of short-term services fails to fully meet the reablement needs of users referred to the service	Integrated Audit Social Care – Adult Care Operations and Health	Operational	4 : Major	6 : Almost Certain	24: Very High	Gary Patch	Keri Storey	N/A	
Corporate Services ICT	Transformation & Business Services	Financial	4 : Major	6 : Almost Certain	24: Very High	John Bristow	Gary Dempster	⟺	0
BI21 - Successful Cyber Attack	Council Wide – Transformation & Business Services	Operational	4 : Major	6 : Almost Certain	24: Very High	John Bristow	Gary Dempster	⟺	0

As noted in the update report to the November 2023 Audit Committee, some of the risk titles included in the table above have recently been updated to better articulate the risk to the service area, this applies to risks 'High Needs Block/DSG Deficit (insufficient funding to meet demand)', 'Demand for Children's Services exceeds the financial provision (managing unit cost pressures)', and 'Demand for Children's Social Work (managing demand for services and packages of care)'. *These risks are currently subject to review by the service area.

Appendix B – Risk Scoring Guidance

Risk Scoring Guidance is published at Manage risks - tasks and guides (devon.gov.uk)

This includes a risk Impact Assessment Guide, risk Likelihood Guide and One page risk management Summary (including risk scoring matrix)

Impact Assessment Guide

		Health & Wellbeing	Service Users	Stakeholders	Reputation	Performance / quality standards	Legal	Financial	Pensions & Investments
1	Negligible	Insignificant impact on public's health and wellbeing. Very small number of the population affected.	Minimal impact or service disruption to customers. Contained within service area.	Affects only 1 group of stakeholders	Minimal and transient loss of public trust. Contained within the individual service area.	No impact on local standards.	No legal action is anticipated.	Under £25,000	Under £100,000
2	Minor	Minor impact on health and wellbeing affecting a small number of the population. Likelihood of fatalities is negligible.	Minor impact to customers and customer. Limited service disruption.	Affects more than 1 group of stakeholders	Slight loss of trust with no lasting impact. Little adverse publicity.	Failure to meet local standards.	Tribunal / DCC legal team involvement required (potential for claim).	£25,000-£100k	£100k - £1m
3	Moderate	Significant impact on health and wellbeing affecting a large number of the population. Fatalities not anticipated.	Moderate impact to customers and customer. Moderate service disruption.	Affect 2-3 groups of stakeholders	Moderate loss of trust that receives significant adverse publicity locally with no lasting impact.	Failure to meet national standards.	Defensible legal action anticipated.	£100k - £1m	£1m - £10m
4	Major	Significant impact on health and wellbeing affecting large number of the population. Fatalities are anticipated.	Significant impact to customers and customer. Threat of legal action	Affects 4-5 groups of stakeholders	Significant loss of trust and receives local media attention with potential for lasting impact.	Failure to meet professional standards / statutory requirements	Criminal prosecution anticipated and or civil litigation (1 person).	£1m - £10m	£10m - £100m
5	Catastrophic	Large impact on health and wellbeing affecting a very large number of the population. Multiple fatalities are anticipated.	Major service disruption. Significant customer opposition. Legal action. Long term public memory	Affects more than 5 groups of stakeholders	Significant loss of trust and receives national media attention with potential for persisting impact.	Sustained failure to meet professional standards or statutory requirements.	Criminal prosecution anticipated and or civil litigation (>1 person).	>£10m	>£100m

1. **Choose the relevant columns and note the closest description of potential impact.**
2. **Then use the score from the most relevant column. For example, if there may be a high financial impact, but the initial impact may be loss of life, choose the Health and Wellbeing Score.**

Likelihood Guide

Consider the statements below as guides, choose scoring as appropriate to the risk being considered.

For advice contact your Risk Champion or finance.riskmanagement-mailbox@devon.gov.uk

Score	Likelihood	Threat/Risk (not all need to apply)
2	Rare	It is never likely to occur and/or Very unlikely this will ever happen e.g. Once in 100 years.
3	Unlikely	May occur in exceptional circumstances and/or Not expected to happen, but is possible, e.g. Once in 25 years.
4	Possible	Could occur in certain circumstances and/or May happen occasionally, e.g., once in every 5 - 10 years and/or Has happened elsewhere.
5	Likely	Will probably occur in many circumstances and/or Will probably happen, but not a persistent issue, e.g., at least once every 1 - 2 years and/or Has happened in the past.
6	Almost Certain	Is expected to occur in most circumstances and/or Will undoubtedly happen, possibly frequently. and/or Imminent/near miss.

Risk Management - is a modern management discipline and is about getting the right balance between innovation and change on the one hand, and the avoidance of shocks and crises on the other.

1. Identify your risks	2. Assess your risks
Risk: an event or action that will have affect our ability to achieve our **objectives**	Combination of the probability of an event and its consequences; Impact x Likelihood::

1. Identify your risks

Opportunities **and** Threats

Event leads to Impact

Identify in groups - by those responsible for delivery of the objectives

When:

Setting strategic aims

Setting business objectives

Early stages of project planning & key stages

Entering partnerships

Categories can help:

Political, Economic/Financial, Social, Technological, Legislative/Legal, Environmental, Community, Professional/Managerial, Physical, Partnership/Contractual.

2. Assess your risks

Combination of the probability of an event and its consequences; Impact x Likelihood::

LIKELIHOOD

6	12	18	24	30
5	10	15	20	25
4	8	12	16	20
3	6	9	12	15
2	4	6	8	10

IMPACT

24 - 30 VERY HIGH (VIOLET)
- Immediate action

15 - 20 HIGH (RED)
- Regular review to seek better control

10 - 12 MEDIUM (AMBER)
- Review current controls / incorporate into action plan

1 - 9 LOW (YELLOW)
- Limited action - long term plans

3. Respond to risks

Concentrate on Top Risks:

Set risk appetite

Proportionate and cost-effective response

Can we reduce likelihood?

Can we reduce impact?

Can we change the consequences?

Treat

Transfer

Tolerate

Terminate

Devise Contingencies

Business Continuity Planning

4. Monitor & Review

Risk Registers:

Baseline data to be prepared and monitored regularly; these should clearly indicate impacts, responses and contingencies as well as the risk owner.

Use early warning indicators.

Review Top Risks regularly as agenda item.

Report progress to senior management.

Appendix C – Power BI Extract

Note – This is a point in time extract, not a reflection of the data as it will be at the time of accessing via PowerBi.
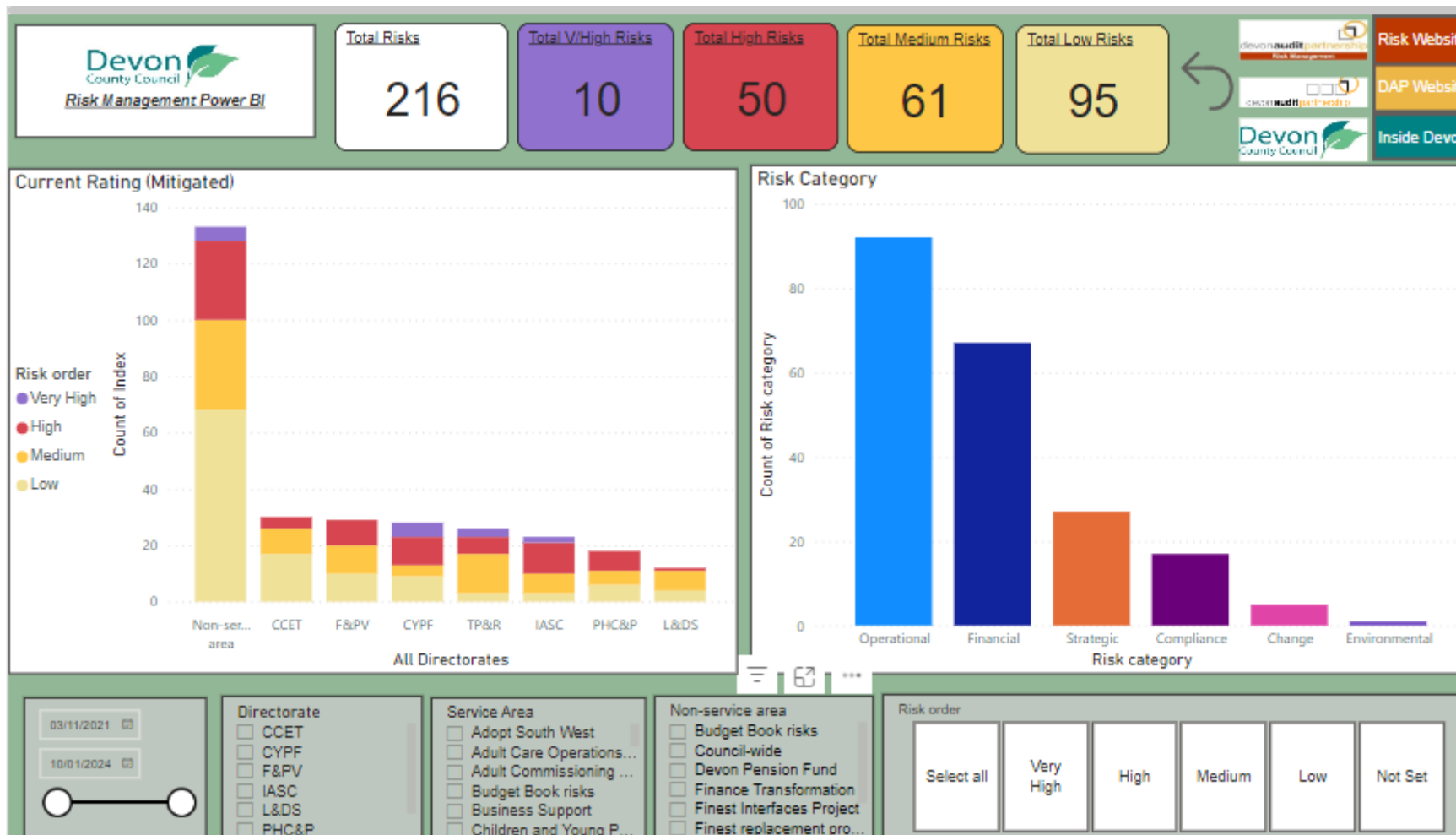
Please note that the data contained within the above pdf extract is representational. Please view the Power BI link for full risk information.
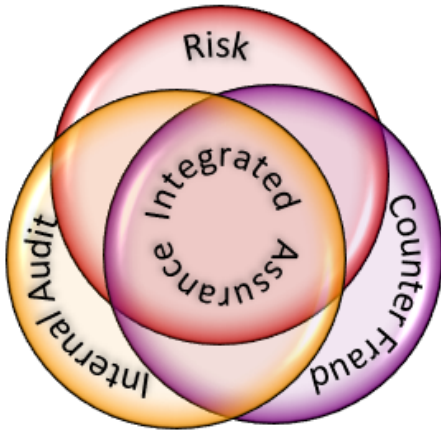
Appendix D - Audit, Risk & Counter Fraud Integration
Support, Assurance and Innovation

devon**audit**partnership

Our Vision
To be the leading provider of assurances services covering internal audit, counter fraud and risk management to public and not-for-profit organisations in the South West and beyond.

Operational delivery

- **Assurance Audit** Plans based on the best and most up to date risk information
- Agile **Internal Audit** Plan
- Live **risk management** reporting and support across the Council.
- Deliver a best in class **risk management framework**
- **Counter Fraud** Team co-ordinate / undertake irregularities work coming through the **audit** plan
- Potential irregularities triaged to **fraud or audit** for review. Use of data analytics.
- **Proactive fraud** work e.g. NFI, developing a delivery plan at client level
- **Investigation** work to be completed jointly (where appropriate) to progress possible fraud review and strengthen internal control frameworks
- **Audit** scoping to include **Counter Fraud** input
- Three-way liaison confirming risk and control
- **Integrated reporting** to be delivered where possible

Our Goals

Meet Client Needs	• Counter Fraud Strategy • Integrated Audit, Risk and Counter Fraud Activity • Easy access to additional services • Respond jointly to client concerns
IA, RM & CF Working Together	• Joint working practices • Staff understanding of audit, risk and fraud interrelationships • Assurance Ofifcers
Efficiency	• Joint reviews on client functions and operations • Best skills from each team used at the right time • Tell us once • Joint outcomes
Infrastructure	• Integrated resource management • Joint Performance Reporting • Joint infrastructure

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Counter Fraud Services

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Risk Management

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Internal Audit