



Audit and Governance Committee

26th September 2024

Title:	Corporate Risk Report
Report of:	Janice Gotts, Executive Director, Resources
Lead Member:	Cllr Edna Murphy
Public Report:	Yes
Voting Arrangements:	No vote required

Recommendations:

A	To endorse the Corporate Risk Register and Heatmap
B	To undertake a deep dive into Cyber Security risk
C	To note that the annual risk appetite statement exercise has taken place

Strategic Objective(s):

The proposals within this report fit under the following strategic objective(s):

X	Achieving ambitious skills and employment opportunities
X	Achieving good growth
X	Increased connectivity
X	Enabling resilient communities
X	Achieving Best Value and High Performance

1. Purpose

1.1	To endorse the Corporate Risk Register and Heatmap, Appendix 1 and 2.
1.2	To undertake a deep dive into Cyber Security risk, Appendix 3 exempt report, Deep Dive guidance Appendix 4 and Security Architecture, Appendix 5 exempt report.
1.3	To note that the annual risk appetite statement exercise has taken place and will be included in the next Audit and Governance risk report in November.

2. Proposal

2.1	Risk Register and Risk Heatmap (Appendices 1 and 2)
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	<p>There fourteen corporate risks on the register in September.</p> <p>Since July there has been three additions to the register, these are:</p> <ul style="list-style-type: none"> • Ely to Milton Interchange which has been escalated from the Transport service register. • Capacity and retention risk has been added following proposal by July CPCA Board • Embedding Improvement Journey risk which has been added to the register given the non-renewal of the Best Value notice by MHCLG on the 9th September 2024. • This risk has replaced the Best Value notice Improvement plan related risks of VfM Governance, Culture and Future Viability of the Combined Authority. <p>Following guidance at the Audit and Governance Committee in July 2024 and a number changes have been made:</p> <ul style="list-style-type: none"> • Inflation risk has been reviewed, the residual impact remains lower than inherent due to the control relating to project delivery and that we enter into fixed price contracts meaning transferring the inflationary risk to contractors. A control has also been added that mitigates the impact of inflation where the risk is with CPCA. • Culture risk had been reviewed and increased controls had been added reflecting what was discussed at the meeting in July. It has now been closed given the non-renewal of the Best Value notice and inclusion of the Embedding Improvement Journey risk. Future controls such as Whistleblowing policy update will be added to the new risk. • Culture and Governance risk were linked on the register. • Discussions regarding adding an additional Climate change risk regarding CPCA climate activities within our control are ongoing and will be added to the register in due course. • Abbreviations have been removed throughout.
<p>2.2</p>	<p>Risk Deep Dive - Cyber Security (Appendix 3)</p> <p>At the July 2024 Audit and Governance Committee it was requested that a Deep Dive into Cyber Security at the September meeting.</p> <p>Supporting documentation is in the appendices and the Risk Owners are available to respond to questions.</p> <p>The Cyber Security risk was first identified and added to the register in April 2023.</p> <p>The inherent risk score was Very High with a 5/5 critical impact and 4/5 likely likelihood. The residual score (now that controls are in place) is a Medium risk, with a 3/5 moderate impact and 2/5 unlikely likelihood. This is the same as the target risk score. This risk is within the CPCA Risk Appetite.</p> <p>Appendix 3 has been sent to members as a confidential report and includes information on the controls and actions. This appendix will be considered in the closed session.</p> <p>It is noted the dependency of this cyber security risk with the work to improve internal audit opinion as noted in the IT internal audit action, control 11 in appendix 3.</p> <p>Accompanying this paper is the latest details on the Security architecture, Appendix 5.</p>
<p>2.3</p>	<p>Role of A&G – Deep Dive guidance (Appendix 4)</p> <p>At the July Committee asked for a more detailed summary of their role in risk management and guidance for deep dive reviews.</p> <p>The Audit and Governance Committee role is to ensure that risk management in the Combined Authority is being done to the appropriate standard and in line with the Risk Management Framework.</p> <p>RSM have developed an 8-step process to support the committee to understand their role in undertaking deep dives. A summary of these steps is below, with more detail in appendix 4:</p> <ol style="list-style-type: none"> 1. Be clear on the purpose and approach of the deep dive. 2. Make suitable preparations for a deep dive. 3. Focus the deep dive on a strategic risk or matter.

4. Understand the strategic risk.
5. Understand (explore) the effectiveness of current controls.
6. Understand (explore) the effectiveness of planned actions.
7. Understand (explore) the basis of assurance
8. Provide appropriate challenge.

CPCA Board also review risk regularly (quarterly), but their role differs. The Board are accountable for risk and therefore review the register to ensure the relevant strategic risks are captured, and when required identify new risks and check scores are appropriate.

Audit and Governance Committee instead review if those risks are being managed appropriately (steps 4, 5, 6 and 7 above) and provide the appropriate challenge (step 8 above).

Ownership of the corporate risk register sits with the CPCA Chief Executive and Corporate Management team as noted in the Risk Management Framework.

2.4 Schedule of Risk Deep Dives

Risk	A&G Committee date	Lead officer
Cyber Security	September 2024	Janice Gotts
Future Funding	November 2024	Janice Gotts
Financial Underspend / Inflation	December 2024	Janice Gotts
Transforming Cities Fund	February 2025	Judith Barker
Climate	March 2025	Judith Barker

Climate deep dive has been added to the schedule following this request at July Audit and Governance meeting. We have also moved the Financial underspend / Inflation from November to December, in line with the deep dive guidance to limit the number going to each meeting.

Audit and Governance Committee members can suggest changes to this schedule and propose additions as required.

2.5 Risk Appetite Statement

The annual Risk appetite statement exercise with the CPCA Corporate Management Team took place on the 20th August 2024. The risk appetite statement is to be presented at the next Audit and Governance committee in November.

The risk appetite statement notes that there is a granularity in risk appetite, recognising that risk appetite in service areas will be different.

The new risk appetite scores have been added to the risk registers and the risk management framework will be updated as part of the annual risk management framework review. It is intended that the updated Risk Management Framework be brought to the Audit and Governance Committee for review in due course.

3. Background

3.1	The Combined Authority Risk Management Framework and Procedure was approved at 08 September Audit & Governance Committee, and 20 September Combined Authority Board. Work continues in embedding the Framework and Procedure, including through training and software.
3.2	The latest Audit and Governance Risk Development Session took place on 10 th September 2024 focusing on Principles and Practice.
3.3	A Risk Appetite Development Session took place with Corporate Management Team on 20 August 2024, where the original appetite statement within the Risk Management Framework was reassessed. Any changes to the appetite will be reflected in a revised Framework in November 2024 which will be presented to this committee.

3.4	<p>The Framework states that the Programme Management Office are responsible for ensuring that the Corporate Risk Register is maintained, updated and that risks are regularly reviewed with the Executive Director of Resources, Corporate Management Team, Audit & Governance and the Risk Owners.</p> <p>The Audit and Governance Committee is responsible for overseeing the Authority's Risk Management Framework and Procedures and the Corporate Risk Register, to ensure that risk management is being done to the appropriate standard and in line with this framework.</p> <p>This item is key to ensuring this is completed.</p>
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4. Appendices

4.1	<p>Appendix 1. Corporate Risk Register</p> <p>Appendix 2. Corporate Risk Heatmap</p> <p>Appendix 3. Cyber Security Deep Dive (exempt paper)</p> <p>Appendix 4. Deep Dive Guidance</p> <p>Appendix 5. Security Architecture (exempt paper)</p>
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5. Implications

Financial Implications	
5.1	There are no direct financial implications to this report.
Legal Implications	
5.2	<p>The Cities and Devolution Act 2016 established the requirement for Combined Authorities to appoint an audit committee whose functions include reviewing and assessing the authority's risk management, internal control and corporate governance arrangements.</p> <p>The Authority has a statutory responsibility under Part 2 – Internal Control of the Accounts and Audit Regulations (England) 2015 to have arrangements in place for the management of risk. It also forms part of the seven core principles within the best practice guidance, 'Delivering Corporate Governance in Local Government: Framework' published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE)</p>
Public Health Implications	
5.3	None
Environmental & Climate Change Implications	
5.4	None
Other Significant Implications	
5.5	None
Background Papers	
5.6	None