



*For All Your Assurance Needs*



## **Internal Audit Report**

### **Risk Management**

**Final**

**Date: July 2018**

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Innovative assurance services

Specialists at internal audit

Comprehensive risk management

Experts in countering fraud

## ...and what sets us apart

Unrivalled best value to our customers

Existing strong regional public sector partnership

Auditors with the knowledge and expertise to get the job done

Already working extensively with the not-for-profit and third sector

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## Background and Context

The Council's risk management strategy was developed in 2014 (updated in 2017) and is supplemented by a risk management toolkit which exists as a practical guide for officers.

The risk management toolkit and guidance is currently being updated and will introduce an additional risk appetite category "opportunistic".

Training on the new toolkit has recently been delivered to Service Managers and Corporate Leadership Team, and members are due to attend a training session in July.

Risk registers are live documents so it is important that they are subject to regular review to create an environment of "no surprises"

Effective Risk Management is a key element of corporate governance and is reflected in the Annual Governance Statement.

## Scope

The purpose of this review was to focus on the Strategic and Directorate risk registers to ensure that they are up to date,

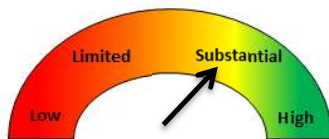
regularly reviewed and risks are actively managed using the correct template.

We also reviewed:-

- Risk management and the new LPMM guidance.
- Partnership/shared services/contract risks registers.
- Follow up on previous audit recommendations
- A (limited) comparison of major risks facing the organisation with other local authorities strategic registers.
- Identification of red and amber areas on the combined assurance report that have not been considered for inclusion in the risk registers.

The review did not include project risk registers.

## Executive Summary



### Substantial Assurance

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Risk 1 - Risks are not managed effectively	Green	0	2

### Key Messages



### Key Messages

We found that overall Risk Management arrangements were in place and working well:-

- The Council continues to work with Lincolnshire County Council who provide risk management advice, guidance and training.
- The Risk Management Strategy was reviewed in February 2018 (minor amendments) and the risk toolkit has also been updated and a new risk appetite opportunist has been introduced.
- Risk training has recently been delivered to service managers, Members and CLT. An E-Learning risk training package will be rolled out later in 2018 for new staff/ managers.
- Performance Scrutiny and Members are provided with a status update for strategic risks on a quarterly basis.
- The Lincoln Project Management Model has recently been revised; it includes guidance in relation to Risk Management and the ownership and monitoring of risks.
- A partnership register is being developed and this will enable identification of key partnerships and provide an opportunity to consider whether a risk register should be in place.

We identified some areas where improvements are required and the key ones are:

## Executive Summary

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- The identity of the officer/member risk champion needs to be more specific within risk management documentation (strategy & toolkit) to help with the profile of risk management.
- Make the risk strategy available to staff via authority wide and city people.
- Consider additional guidance on the front of the template regarding risk appetite and the need for target dates and responsibility for mitigating actions to be recorded.
- Risk template to include the need to record responsibility for mitigating actions
- Risks for Kier & Aaron are to be transferred to the new template and long standing green risks (business as usual) to be removed to allow focus on current risks.
- The MDD risk register should be reviewed promptly; followed by regular quarterly updates
- A process to be developed to ensure that all directorate risks are reviewed at the required time to enable progress against all risks to be reported.
- Business Management & Team Leader to undertake a more pro active role in reviewing risk registers for key contracts and partnerships.


Training was delivered to both Service Managers and Corporate Leadership Team as the audit reached the report stage. Feedback from the training was very positive; the trainer (Principal Risk Officer LCC) commented that both CLT and Service Managers forum were very engaged and additional meetings have been held/planned to capitalise on the training.

All directorate risk registers have been updated following sessions with service managers and there is an opportunity for the Principal Risk Officer to hold further workshops to continue to drive forward engagement with risk management.

A Partnership audit is due to be completed later this year which will provide additional assurance regarding how risks are managed for strategic partnerships.

## Executive Summary

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We would like to thank the Business Manager & Team Leader and Principal Risk Officer (LCC) for their assistance during this audit.

### Managing your risks



Good risk management, including maintaining risk registers, helps you to identify, understand and reduce the chance of risks having a negative impact on achievement of your objectives.

During our audit work we did not identify any significant or high risks that we feel should be considered for inclusion on your service's Operational Risk register



## Management Response

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### Management Response



Both CoLC officers and our colleagues at LCC, who provide our risk management support, seek to ensure that sound risk management arrangements are embedded across the Authority. There have been a number of actions taken this year to further ensure that this is the case, some which were being carried out at the time of the audit. We will continue to implement these alongside the recommendations made during the audit, together which they should maintain our sound level of risk management arrangements.

Provided by Jaclyn Gibson Chief Finance Officer

## Advisory Points - Adding Value through Efficiencies

1	Risk Description	Current Rating	Target Rating
	Risks are not managed effectively (training & guidance)	GREEN	GREEN
<b>Findings</b>			
<p>Some improvements have been identified that could be made to the risk management process to ensure compliance and improve the management of risk:-</p> <p>a) The officer / member risk champion (currently the Leader and Chief Finance Officer) are not specifically identified within the risk strategy and toolkit.</p> <p>b) The Risk Management Strategy has not been published in City People and is also not available in the Risk Management folder on Authority Wide</p> <p>c) The risk toolkit includes the need to allocate ownership of actions (person responsible for completing the action) and identify a target completion date. A review of the risk registers found that not all risk actions have target dates. There's no requirement on the template to include responsibility for required mitigation actions.</p> <p>d) The risk register template does not include any information relating to risk appetite definitions. A new risk appetite "opportunistic" has been introduced.</p>			
<b>Implications</b>			
<p>a) The identity the officer/member risk champions is not clear.</p> <p>b) The Risk Management strategy is not available to staff.</p> <p>c) The provision of a target date enables progress against an action to be measured/slippage to be identified. Clear responsibility on the required mitigation column will help with ownership and delivery.</p> <p>d) A definition of each risk appetite should be readily available for quick reference to ensure that the correct risk appetite is used.</p>			

## Advisory Points - Adding Value through Efficiencies

Recommendation	Priority level	
<p>a) The officer / member risk champions could be updated/clarified within documentation (policy &amp; toolkit) which would help with the profile of risk management.</p> <p>b) The current Risk Management Strategy should be published on City People and made available to staff in the Risk Management folder in authority wide.</p> <p>c) Staff should be made aware of the importance of providing target dates for actions to be achieved. The requirement for responsibility should be clearly referenced in the register template column heading. Risk registers should be update accordingly to include targets dates and responsibility for mitigating actions.</p> <p>d) Include a brief definition of risk appetite on the template.</p>	<b>Med</b>	
Agreed Action	Responsibility	Implementation date
<p>a) The strategy and toolkit were amended during the audit to clarify the officer &amp; member role.</p> <p>b) The updated Risk Management Strategy was published in City People and placed in the Risk Management folder in authority wide during the audit</p> <p>c) The BMTL will notify directorate admin team leaders of the correct risk template to use and the need to provide timescales for actions to be completed.</p> <p>d) A hyper link to risk appetite will be inserted on the template by the BMTL</p>	Chief Finance Officer	<p>a) n/a</p> <p>b) n/a</p> <p>c) 31/08/18</p> <p>d) 31/08/18</p>

## Advisory Points - Adding Value through Efficiencies

2	Risk Description	Current Rating	Target Rating
	Risks are not managed effectively –compliance and review	AMBER	GREEN
<b>Findings</b>			
<p>a) An update of the current strategy and guidance is due to be completed; this will include a new risk appetite category of “opportunist” existing risks should be assessed against this new appetite.</p> <p>b) The Service Managers group have taken on some of the roles of the disbanded Risk Advisory Group which included oversight of risk registers/risk management. Whilst the main review of registers is at DMT/CLT/CMT level Service managers have an important role to play in contributing to / challenging risk registers. Service Managers can feed into their directorate risk registers via SMT. There has been mixed engagement and ownership of risk by some service managers; recent training identified that this may be due to uncertainty regarding what their involvement is in the assessment of risks.</p> <p>c) The Business Management &amp; Team Leader (BMTL) issues quarterly reminders regarding the need to update directorate risk registers. When reporting on risk management activity at the end of the third quarter for 2017/18 the Major Developments Directorate (MDD) and Directorate of Communities &amp; Environment (DCE) risk registers had not been reviewed. The DCE register has subsequently been reviewed but the MDD risk register has not been updated since May 2017. Subsequently movement against risks could only be identified and reported against for two directorates.</p> <p>d) The current version of the strategic risk register was not in authority wide.</p> <p>e) As part of a recent Housing Audit , it was identified that joint CoIC/Contractor risk registers were in an old format although still discussed). Officers were not aware that an updated template needed to be used.</p> <p>f) We have reviewed the DRR and SRR risk registers and cross checked to the recent Combined Assurance work – Annex A maps Amber and Red combined assurance areas to the risk registers and highlights any potential gaps. Officers may wish to consider whether these should be included within risk registers. Work has also been undertaken to compare the Council’s strategic risks with those of other Councils (Appendix B) a review may identify potential strategic risks for COLC.</p>			
<b>Implications</b>			
<p>a) Consideration will need to be given to whether any existing risks fall into the new risk category “opportunist”.</p>			

## Advisory Points - Adding Value through Efficiencies

- b) Service Managers play an important role in the identification of potential new risks associated with their functions & activities and assessing how current risks are being managed. A failure to embrace this role and provide feedback at the required time will result in a gap in risk monitoring.
- c) Risks within MDD are not being actively considered using the standard register.
- d) The most up to date version of the Strategic Risk registers should be available in authority wide so that officers are aware of the current position regarding strategic risks.
- e) Housing officers not being aware of up to date (contract) risk register templates could indicate other similar instances elsewhere
- f) Annex A & Annex B provide an opportunity to ensure that all risks facing the Council are included on risk registers.

Recommendation	Priority level	
<ul style="list-style-type: none"> <li>a) Undertake a review of existing risks against the definition of “opportunist” risk</li> <li>b) Ensure that service managers continue to review risk registers at service managers meetings (quarterly) and the results forwarded to DMT review . Consider whether this is sufficient to provide service manager input alongside any specific arrangements within Directorates.</li> <li>c) The MDD risk register should be reviewed promptly; followed by regular quarterly updates.</li> <li>d) The most up to date version of the strategic risk register should be placed in authority wide.</li> <li>e) The BMTL should review contracts and partnerships registers (where a risk register should be in place) and check if it is in the correct format, up to date and regularly reviewed</li> <li>f) Review Annex A &amp; Annex B and consider whether any of the Combined assurance areas and Benchmarked strategic risks should be included within the council’s risk registers.</li> </ul>	<b>Med</b>	
Agreed Action	Responsibility	Implementation date
<ul style="list-style-type: none"> <li>a) Existing risks will be reviewed and assessed against the new appetite.</li> <li>b) The BMTL will email Directorates to make them aware of the audit recommendation (2b) regarding service manager involvement in risk review and the need for engagement between AD’s &amp; Service Managers. The</li> </ul>	Chief Finance Officer	<ul style="list-style-type: none"> <li>a) 30/10/18</li> <li>b) 31/08/18</li> <li>c) 31/08/18</li> <li>d) 31/08/18</li> </ul>

## Advisory Points - Adding Value through Efficiencies

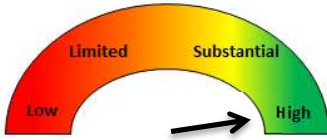
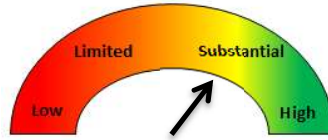
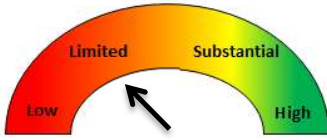
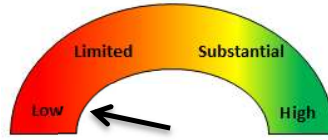
<p>BMTL will attach directorate risk registers to quarterly risk review reminders with a prompt that any comments should be raised to Assistant Directors.</p> <ul style="list-style-type: none"> <li>c) BM&amp;TL to confirm that the recent review of the MDD risk register has been reflected in an update of the risk template; the updated risk register to be placed in authority wide.</li> <li>d) A PDF version of the current strategic risk register will be saved in authority wide.</li> <li>e) Following completion of the Partnership register the BM&amp;TL will undertake periodic reviews of the register to ensure (where appropriate) that risk registers are completed and reviewed on regular basis.</li> <li>f) A review of Annex a &amp; Annex B will be incorporated into a forthcoming CLT training session.</li> </ul>		<ul style="list-style-type: none"> <li>e) 31/12/18</li> <li>f) 30/09/18</li> </ul>
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## Advisory Points - Adding Value through Efficiencies

The following items are advisory recommendations / comments arising from the audit, which management may wish to consider implementing to improve efficiency of the system or performance.

Ref	Finding	Advice
AP1	<ul style="list-style-type: none"> <li>Staff understanding of risk</li> </ul>	<p>Consider a simple risk, cause and effect sentence and example in the template to remind staff of the structure of a risk</p> <p>This might help with focus.</p>
AP2	<ul style="list-style-type: none"> <li>There are currently no performance indicators for the completion of risk registers. If the completion of Directorate (and strategic) risk registers was a “strategic” performance indicator this may have helped with completion</li> </ul>	<p>Consider whether the completion of Directorate and Strategic risk registers should be a strategic performance indicator/target.</p>

## Appendix 1 - Assurance Definitions

High	Substantial
<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p>  <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>	<p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p>  <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
Limited	Low
<p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p>  <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p>  <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p>



## Appendix 1 - Assurance Definitions

Action Priority	
<b>High</b>	Immediate management attention is required - an internal control or risk issue where there is a high certainty of: substantial loss / non-compliance with corporate strategies, policies or values / serious reputational damage / adverse regulatory impact and / or material fines (action taken usually within 3 months).
<b>Medium</b>	Timely management action is warranted - an internal control or risk issue that could lead to financial loss / reputational damage / adverse regulatory impact, public sanction and / or immaterial fines (action taken usually within 6 to 12 months).

## Appendix 2 – Distribution List

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### Distribution List



Chief Finance Officer

CX/ Directors

Assistant Directors

Business Management Team Leader

### Disclaimer

The matters raised in this report are only those which came to our attention during our internal audit work. Our quality assurance processes ensure that our work is conducted in conformance with the UK Public Sector Internal Audit Standards and that the information contained in this report is as accurate as possible – we do not provide absolute assurance that material errors, fraud or loss do not exist.

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