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CITY OF
Lincoln
COUNCIL

Appendix C

Internal Audit Report

RISK MANAGEMENT

4th May 2017

FINAL

What we do best...

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

Contents

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Background and Context

The Council's risk management arrangements have recently been updated with a new risk toolkit developed with Lincolnshire County Council.

Risk registers, both Strategic and Directorate, are being updated in line with the new guidance.
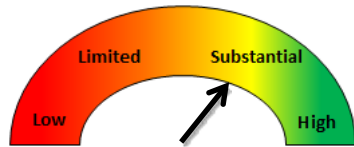
All service managers have had training on the new toolkit

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.
- We also reviewed:
    o Responsibility
    o Risk registers and their review and oversight (DMT/CMT/Members)
    o How focus is maintained on the key registers
    o Risk mitigation actions—responsibility and tracking
    o Mega-project risk management / risk registers
    o Links to the toolkit—e.g. ensuring risk registers moved onto the new version

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Substantial Assurance

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

Key Messages

We found that overall Risk Managment arrangements were in appropriate and working well:

- The Council continues to work with Lincolnshire County Council who provide risk management advice and guidance
- A new tooklit has been developed and rolled out with training for service managers completed
- Service manager group have recently taken on the role of the previous RAG (Risk Advsory Group), and will in future as part of that role review DRR and SRR risk registers and feed any comments back to CLT
- Project management guidance now includes the new register templates
- The strategic risk register is regularly reviewed by officers (CMT) and members
- The Risk mangement strategy has been reviewed and updated
- Risk appetite training has been completed and largely rolled out

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

- Ensure that all Directorate risk registers (and other key registers) are brought up to date uisng the new template
- Consider a more pro-active monitoring role to review compliance
- Finalise training for Assistant Directors and CMT on the new tooklit

Key Messages

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- Consider additional guidance on the front of the template and remind Directorates to complete target dates/responsibilty on outstanding further actions

We would like to thank Jaclyn Gibson and Lara Trickett for their help in undertaking this review.

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 Operational Risk register

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Management Response

Actions have been agreed to address the recommendations which should help further embed the recently issued strategy and toolkit.

Business Management Team Leader

1	Risk Description		Current Rating	Target Rating
	Risks are not managed effectively (training and guidance)		**GREEN**	**GREEN**

Findings

Whilst the new toolkit has recently been introduced, and training provided there are some further improvements that could be made to risk management processes to ensure compliance and improve the management of risk:

- A) The risk register template could include (on the front page) some brief guidance derived from the toolkit such as risk appetite categories, information from "tool 7" – the risk descriptors, a reminder to include target dates and responsibility for any (further) actions. Not all risks actions (on all registers) have target dates and responsibility assigned. A reminder to refer to the SRR when updating and also consideration to removal of "green" / low risks once target achieved.
- B) Training has recently been completed for service managers and some AD's on the new toolkit but could be expanded to all AD's and CMT
- C) Further risk management training for members – particularly Executive, Performance Scrutiny and Audit should be considered – this has been completed in the past but hasn't been completed recently.
- D) The officer / member risk champions - the Leader and the Chief Finance Officer – could be clarified within documentation.
- E) On reviewing the registers there are some "green" risks and some older and what could be "business as usual" risks which could be considered for removal – the guidance on the front sheet of the template could encourage regular removal of these low risk / older risks.

Implications

- A) Limited guidance on the front page of the template may aid completion
- B) To ensure that senior management are fully aware of the new guidance training could be extended
- C) Members may not understand risk management in sufficient detail - a key part of decision making
- D) The roles of the officer / member risk champions may not be clear
- E) Some green / low risks could possibly be removed which may aid focus on key risks

Recommendation	Priority level
• A) Include (on the front page of the RR template) some brief guidance derived from the toolkit • B) Expand recent training on the toolkit to all AD's and CMT • C) Undertake further risk management training for members – particularly consider Executive, Performance Scrutiny, Policy Scrutiny and Audit • D) The officer / member risk champions could be updated/ clarified within documentation which would help with the profile of risk management • E) On reviewing the registers there are some "green" risks and some older risks which could now be "business as usual" risks which could be considered for removal – the guidance on the front sheet of the template could encourage regular removal of these low risk / older risks.	**Medium**

Agreed Action	Responsibility	Implementation date
• A) Agreed – some additional summary guidance will be included on the template • B) Agreed – once the main actions in the report are completed a short refresher session will be booked on to CLT when both AD/CMT are present. • C) Agreed – the BMTL will consider appropriate member training with the City Solicitor/Democratic Services and include on forward programmes • D) The champions and their role will be clarified within the strategy, toolkit and City People • E) Agreed – this will be included as a guidance note on the template and Directorates will be reminded to consider removing any low risk/ older risks	Chief Finance Officer Business Management Team Leader (BMTL)	A) 30th September 2017 B) 30th September 2017 C) 30th June 2017 D) 30th September 2017 E) 30th September 2017

2	**Risk Description**		**Current Rating**	**Target Rating**
	Risks are not managed effectively - compliance and review		**GREEN**	**GREEN**

Findings

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- A) The DHR risk register was updated in January 2017 but previously reviewed in February 2016; it requires a further review and moving onto the new risk register format
- B) The business management team leader has in the past taken on a monitoring / compliance role –this role could be considered again and could include DRR's, key partnership registers and Board registers. Key partnership risk registers (Revs and Bens / Planning) have been prepared and reported to the relevant Committee (October 16 and June 16) but need to be reported again and if possible moved onto the new format. The WGC risk register is being updated now – last updated January 2016.
- C) The review of the SRR could be enhanced by reviewing the DRR's at the same time (and vice versa) to ensure that any high DRR risks (or risk themes) are considered at a strategic level. The BMTL advised that there was some overlap between the Strategic Risk register and the Directorate registers so considering the SRR at the same time would be useful and for CX Directorate was being considered.
- D) Generally the inclusion of a "risk" section within Executive reports is good practice (and is required for "key decisions") although in our sample we did find three Executive reports without a risk section including Vision 2020, customer experience strategy and Contract procedure rules. The Committee template doesn't currently have risk management as a "mandatory" section. This should be re-considered for Executive reports.
- E) We have reviewed the DRR and SRR risk registers and cross checked to the recent Combined Assurance work – Annex A maps those 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 the risk registers.

Action Plan

Implications
A) The current DHR register may not fully reflect the Directorates key risks. Without regular review risk actions cannot be effectively monitored.   B) Increased monitoring may aid compliance; the two partnership registers could be reported again to ensure effective monitoring by Committee   C) The review of the SRR could be enhanced by reviewing the DRR's at the same time (and vice versa)   D) Risks may not always be considered (under a risk management section) in Executive Committee reports   E) We have reviewed the DRR and SRR risk registers and cross checked to the recent Combined Assurance work – Annex A maps those 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 the risk registers.

Recommendation	Priority level
A) Ensure that the DHR risk register is brought up to date and formally reviewed quarterly in future B) The business management team leader should take on a more pro-active monitoring / compliance role and report findings to the Officer Champion or CMT ; partnership risk registers (Revs and bens / Planning) should be reported to Committee again and then six monthly; if possible moved to new format. C) When reviewing the SRR (CMT) ensure the DRR's are reviewed at the same time (and vice versa for Directorates) D) Review the Committee template to ensure risk management is a "mandatory" section in Executive reports. E) Review the Annex A which maps Amber and Red combined assurance areas to the risk registers and consider whether these should be included within the risk registers.	**Medium**

Agreed Action	Responsibility	Implementation date

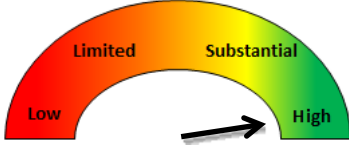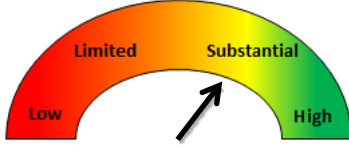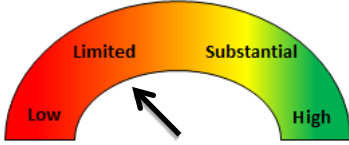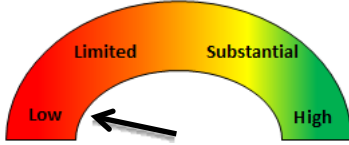|		
• A) The BMTL will liaise with DHR management to move the register onto the new format and encourage regular review / update. • B) The business management team leader will take a more pro-active monitoring / compliance role and report findings to the Officer Champion or CMT. The BMTL will liaise with officers to ensure partnership risk registers (Revs and bens / Planning) are reported to Committee again and then regularly using the new format. The WGC Board now has monthly meetings in for next 6 months – the updated risk register will go to that Board at the May meeting. • C) The BMTL will circulate DRR's at the same time the SRR is reviewed by CMT to ensure that any red/high DRR risks or risk "themes" are considered for SRR inclusion. • D) The BMTL will review the Committee template with the City Solicitor and Democratic services to ensure risk management is a "mandatory" section in Executive reports. • E) The BMTL will circulate the Annex A which maps Amber and Red combined assurance areas to the (current) risk registers for Directorates/CMT to consider whether these should be included within the SRR/DRR risk registers.	Director of Housing / Housing Business Support Officer Chief Finance Officer BMTL	A) 30th June 2017 B) 31st May 2017 / 30th September 2017 C) 31st May 2017 D) 30th September 2017 E) 30th September 2017

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	There are none.	

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High	Substantial
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. The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.	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. 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.
Limited	**Low**
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. 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.	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. 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.

Action Priority	
High	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).
Medium	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).

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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