



For All Your Assurance Needs



## Internal Audit Report

### Risk Management

*Final*

**27<sup>th</sup> May 2021**

## 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

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## Background and Scope

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### Background and Context

Each year Internal Audit must produce an Annual Report, part of which is to give an opinion on the Council's risk management arrangements.

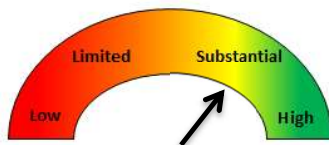
A risk management audit has not been undertaken in 2020/21 so it has been necessary to do a high level review to inform the Annual Report.

Risk management was given a Green assurance rating by management in the 2020/21 Combined Assurance review.

### Scope

The purpose of the audit was to determine how all aspects of the risk management framework is operating (implementation of the corporate Strategy and Framework at strategic and operational levels, and in other areas of the business – programmes, projects, financial planning, etc).

## Executive Summary



### Substantial Assurance

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Risk 1 – The Risk Management Framework is not embedded, and risk management actions are not being monitored.	Green	1	0

### Key Messages



There is a current Risk Management Strategy, which states that the Council’s risk appetite is ‘Creative and Aware’. The Strategy sets out the responsibilities for risk management at strategic and operational levels.

The Strategic risk register is being actively reviewed each quarter by CMT and presented to the Executive. Strategic risks have an owner and any actions have a target date. In the past year five new risks have been added (mostly connected to Covid) and three risks have been re-scored. The SRR does not currently include a specific Cyber Security or associated ICT risk, but this already due to be included in the next update.

Directorate risk registers are, on the whole, being updated on a quarterly basis. However, the Major Developments risk register was last updated in May 2020. Whilst it is appreciated that the work of this directorate is largely project based and there were significant other pressures during 2020/21 the same issue of infrequent reviews has been found for the last three years and a high priority recommendation has been made to introduce a robust process to ensure that regular reviews are undertaken in all directorates.

The Fraud risk register was refreshed in December 2020 and presented to the Audit committee in February 2021

### Key Messages



Risk management is operating in other areas such as ICT, programme and project management, Medium Term Financial Planning, Brexit preparation and committee reporting.

Due to Covid and the need to prioritise resources some actions due in 2020/21 were postponed to 2021/22;

- A review of the Risk Management Strategy and Framework
- Communication and training on the RM Framework

We would like to thank Lara Trickett for her help in undertaking this review.

## Executive Summary

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### 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.

The Strategic and Directorate risk registers should continue to be regularly updated to reflect the change in the risk environment caused by the Covid-19 virus.

## Management Response

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### Management Response



*We welcome the findings of this audit and assurance that risk management arrangements are operating well. The impact of Covid19 on the Council's resources has meant that some areas of risk management have had to be postponed during 2020/21 but these are due to be progressed during 2021/22.*

Provided by the Chief Finance Officer.



## Action Plan

1	Risk Description	Current Rating	Target Rating
	<b>The Risk Management Framework is not embedded, and risk management actions are not being monitored.</b>	<b>GREEN</b>	<b>GREEN</b>
<b>Findings</b>			
<p><u>Review of Directorate Risk Registers</u>            Directorate risk registers are, on the whole, being updated on a quarterly basis. However, the Major Developments risk register was last updated in May 2020. Whilst it is appreciated that there were significant other pressures during 2020/21 the same issue of infrequent reviews has been found in RM audits for the last three years.</p> <p>In a previous review Directorate risk registers were going to be reported to CMT alongside the SRR to help highlight any out of date registers, and to allow any red Directorate risks to be considered for inclusion on the SRR. For this to work it is important that Directorate risk registers are kept up to date.</p>			
<b>Implications</b>			
<p>Risks and any related risk actions may be out of date.            Key Directorate risks may not be considered for inclusion in the SRR.</p>			
<b>Recommendation</b>			<b>Priority level</b>
<p>Introduce a robust process to ensure that Directorate risk register reviews are undertaken.            Report Directorate risk registers to CMT as part of the quarterly SRR review.</p>			<b>High</b>
<b>Agreed Action</b>		<b>Responsibility</b>	<b>Implementation date</b>
<p>Directorate risk registers will continue to be chased.            Rather than attaching each of the directorate risk registers on the report to CMT information will be included as to when they were last updated and what the red risks are.</p>		Chief Finance Officer & Business Management Team Leader	June 21

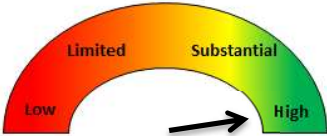
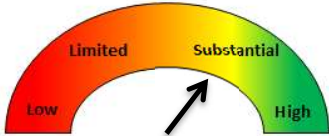
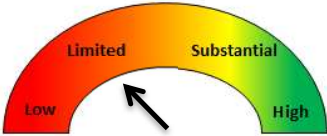
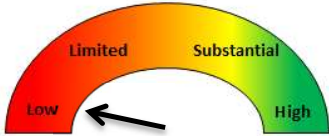
## Advisory Points - Adding Value through Efficiencies

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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.	

## 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 Executive

Directors

Chief Finance Officer

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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