



<u>Committee and Date</u>
Audit Committee
24 March 2010
4.45 pm

<u>Item</u>
6
Public

INTERNAL AUDIT RISK MANAGEMENT REPORT 2009/10

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Summary

This report summarises the detailed findings identified in the Internal Audit review of Risk Management. The overall control environment for the Risk Management system is assessed as good.

Recommendation

- A. Audit Committee are asked to note the findings from the review of Risk Management by Internal Audit.

REPORT

Background

1. The Audit Committees Terms of Reference include a requirement to review annually the adequacy of the Council's Risk Management arrangements. In February 2010 Internal Audit completed a review of Risk Management processes as part of the Internal Audit Plan.

Internal Audit Risk Management Report – Executive Summary

2. Audit findings are evaluated to provide a level of assurance on the effectiveness of the system of internal control. These evaluations are defined as 'Good', 'Reasonable', 'Limited' and 'Unsatisfactory'. On the basis of the audit work undertaken the overall control environment for the system of Risk Management has been assessed as Good.
3. Evaluation and testing of the controls confirmed that there is a sound system of controls in place which are designed to address relevant risks, with controls being consistently applied. The risk management processes are embedded within the Authority and clearly communicated to all staff.

Control Objective Conclusion and Summary of Findings

4. The following table shows the audit opinion on each of the four control objectives; full or substantial compliance has been achieved on all objectives:

	AUDIT OBJECTIVE	CONCLUSION AND SUMMARY OF FINDINGS
1.	Risks arising from business strategies and activities are identified and prioritised and management have determined the level of risk acceptable to the organisation.	<p>This control objective is substantially achieved. The Risk Management Strategy has been updated following transition to Unitary status, although this has not yet been agreed and formally approved by Cabinet.</p> <p>A strong risk management framework has been established which sets out a clear structure and roles and responsibilities for Risk Groups, Committees and individuals.</p> <p>A risk identification process is in place along with an appropriate and well established mechanism for categorising and scoring risks.</p> <p>Training continues to be developed and delivered to both staff and Members.</p> <p>The implementation of the risk management and audit software, MKInsight will enhance the current risk management procedures in place. These being:</p> <ul style="list-style-type: none"> • The development of links to align the Performance Management system with the Risk Management system. • Links between Risk Management and Internal Audit being further developed with improved electronic access given to Internal Audit to review Risk Registers and inform them with audit findings. <p>Risk Management Assessments are made for all projects and committee reports and these are logged on a database for review by the Risk Management & Insurance Team.</p>
2.	Risk mitigation activities are designed to reduce, or otherwise manage, risk at levels that were determined to be acceptable to management and the board.	<p>This control objective is fully achieved. A system is in place for identifying control measures for risks identified and recording these along with risk owners in action plans. A formal process is in place for monitoring identified risks and progress against action plans. The responsibility of the risk owner is clearly defined in the Risk Management Strategy, and named in Risk Registers.</p>
3.	Ongoing monitoring activities are conducted to periodically reassess risk and the effectiveness of controls to manage risk.	<p>This control objective is fully achieved. Risk Management and Insurance are an integrated section and regular information is received from the Authority's Insurers, with a representative from RMP invited to each Risk Management Group meeting.</p> <p>All risks identified are recorded in a risk register which is updated regularly following the quarterly reviews of the strategic risks and operational risk frameworks.</p>

4.	The board and management received periodic reports of the results of the risk management process.	This control objective is fully achieved. This control objective is fully achieved. Directorate Risk Co-ordinators report to their Directorate Management Team Meetings on issues from the Risk Management Group and reporting to Members on risk management takes place. The Annual Governance Statement includes an assurance that the authority has robust systems and processes in place for the identification and management of risk. The Audit Committee receive annually a report on the internal audit review of the Risk Management process.
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5. Of the three recommendations made last year, one is outstanding which has been delayed due to the creation and approval of risks for the new Authority, one is ongoing due to the delayed implementation of the MKInsight software and one has been superseded as a more effective control measure has been implemented by the RM&I Team.

6. The three recommendations made at this years audit are:

- The Risk Management Strategy and Strategic Risk List developed and updated following transition to Unitary, should be reviewed by CMT and formally approved by Cabinet and this review evidenced on the Policy Statement. **Rating-Requires attention.**
- Following the approval of the strategic risks by CMT & the Cabinet, a timetable should be introduced to facilitate the population of strategic risks into Performance Plus. It should then be an ongoing process to monitor the risks and record the details in PP to inform the Performance Management & Scrutiny staff and assist them in their duties. **Rating-Best Practice.**
- The Internal Audit and Risk Management software should be implemented as a high priority and the links between Audits and Risk Registers established and used as soon as possible. **Rating-Best Practice.**

Conclusion

7. On the basis of the audit work undertaken the overall control environment for the system of Risk Management has been assessed as Good.

8. The risk management processes are embedded within the Authority and clearly communicated to all staff.

9. The Risk Management Strategy was developed and updated in April 2009 following the transition to a Unitary authority. The decision to agree and formally approve the Strategy by Cabinet has been delayed as new Authority wide risks needed to be created and these were considered at a Risk workshop held in January 2010. The Strategy is comprehensive with roles and responsibilities clearly defined and a system for identifying, categorising, recording and reviewing risks is in operation. Risk Management has evolved

into a continuous process with the risk register being updated on a quarterly basis as risks are reviewed.

10. The Risk Management systems are robust and will benefit from further enhancements following implementation of MKInsight. These enhancements are:
 - The development of links to align the Performance Management system with the Risk Management system.
 - Links between Risk Management and Internal Audit being further developed with access given to Internal Audit to view the Risk Management software system.
11. Three recommendations have been made in the detailed report; one has been rated “Requires Attention” and two as “Best Practice”. It is envisaged that the planned implementation of the risk and audit software MKInsight will facilitate the progression in these areas particularly the links with Internal Audit and Performance and Scrutiny work. A copy of the detailed audit report is available to Members on request.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

None

Human Rights Act Appraisal

The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.

Environmental Appraisal – N/A

Risk Management Appraisal

Risk Management is part of the overall internal control arrangements

Community / Consultations Appraisal – N/A

Cabinet Member

Keith Barrow, Leader of the Council, (Brian Williams, Chairman of Audit Committee)

Local Member – N/A

Appendices – None