



Committee and Date

Audit Committee

18th February 2016

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Item

Public

INTERNAL AUDIT RISK MANAGEMENT REPORT 2015/16

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1. 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, the highest rating that can be given, no control weaknesses were identified.

2. Recommendations

The Committee are asked to consider and endorse, with appropriate comment, the findings from the review of Risk Management by Internal Audit.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The management of risk is a key process which underpins successful achievement of the Council's objectives and priorities. It forms part of the Annual Governance Statement and an annual audit is undertaken to ensure that the processes and protocols are established and embedded facilitating effective decision making.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities or climate change consequences arising from this report.

4. Financial Implications

- 4.1 The Internal Audit plan is delivered within approved budgets; the work of Internal Audit contributes to improving the efficiency, effectiveness and economic management of the wider Council and its associated budgets.

5. Background

- 5.1 As part of the Public Sector Internal Audit Standards (PSIAS 2120), Internal Audit is required to evaluate the effectiveness, and contribute to the improvement of, the risk management process. Information gathered during the course of audit reviews provides an understanding of the Council's risk management processes and their effectiveness. Internal Audit evaluates the Council's risks relating to governance, operations and information systems. It does this in respect of:
- the achievement of the strategic objectives,
 - reliability and integrity of financial and operational information,
 - efficiency and effectiveness of operations and programmes,
 - safeguarding of assets and,
 - compliance with laws, regulations, policies, procedures and contracts.
- 5.2 To support the PSIAS, the Audit Committee's Terms of Reference include a requirement to review annually the adequacy of the Council's Risk Management arrangements. The last such review was undertaken in November 2015.

Internal Audit Risk Management Report – Executive Summary

- 5.3 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**, the highest rating that can be given.
- 5.4 Evaluation and testing confirmed that a sound system of control is in place, designed to address relevant risks, with controls being applied consistently. The Risk Management Team have addressed the process weaknesses in respect of operational risks identified in the 2014/15 Audit.

Control Objective: Conclusion and Summary of Findings

- 5.5 The following table shows the audit opinion on each of the four control objectives. Full compliance has been achieved in all of the 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	This control objective is achieved. There are robust procedures in place for the identification and assessment of current and emerging strategic and operational risks. The Opportunity Risk Management Strategy is in place and a framework and appropriate structure embeds this within the Council.

	AUDIT OBJECTIVE	CONCLUSION AND SUMMARY OF FINDINGS
	organisation.	
2.	Risk mitigation activities are designed to reduce, or otherwise manage, risk at levels determined to be acceptable to management and the Cabinet.	This control objective is achieved. Risks are considered by management and controls are in place for all risks. There is increased focus on managing strategic risks which are reported monthly to the Senior Management Board and to informal Cabinet in line with the Operational Risk Management Strategy. The Risk Management Team are involved in new projects and transformation work to ensure emerging risks are identified at the earliest opportunity.
3.	On-going monitoring activities are conducted to periodically reassess risk and the effectiveness of controls to manage risk.	This control objective is achieved. Appropriate processes have been put in place to ensure compliance with the requirements of the 2015 Insurance Act. A full operational risk review was undertaken in February 2015 and the system was returned to spreadsheets to allow greater control and functionality in reporting. The current system provides a suitable risk register and a working mechanism for the regular review of risks.
4.	The Cabinet and management receive periodic reports of the results of the risk management process.	This control objective is achieved. Reports in respect of strategic risks are considered monthly by informal Cabinet and the Senior Management Board.

5.6 The audit did not identify any control weaknesses and no recommendations have been made.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Risk Internal Audit Review
Cabinet Member (Portfolio Holder) Malcolm Pate, Leader of the Council, Brian Williams, Chairman of Audit Committee
Local Member: N/A
Appendices - None