INTERNAL AUDIT RISK MANAGEMENT REPORT 2014/15

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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 Reasonable.

2. Recommendations

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

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3. Risk Assessment and Opportunities Appraisal

3.1   The management of risk is a key process which underpins successful achievement of our 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 must evaluate the effectiveness and contribute to the improvement of the risk

management process. It does this by gathering information to support this assessment during multiple audit reviews, the results of which, when viewed together, provide an understanding of the Council's risk management processes and their effectiveness. Internal Audit evaluate risk exposures relating to the Council's governance, operations and information systems regarding 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   The Audit Committee's Terms of Reference include a requirement to review annually the adequacy of the Council's Risk Management arrangements in support of the PSIAS requirements. In February 2015 Internal Audit completed a review of Risk Management processes as part of the Internal Audit Plan.

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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 **Reasonable**.

5.4   Evaluation and testing confirmed that there is generally a sound system of control but there is evidence of non-compliance with some of the controls. The risk management processes in respect of operational risks have been weakened by Risk Owners not ensuring information has been kept up to date and issues in respect of reporting. The Risk Management Team have identified these weaknesses and plans are in place to address these issues by changes to the process in respect of operational risks.

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 on three of the objectives, the exception is in respect of objective three:

	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.	**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 there is a framework and appropriate structure to embed this within the Council; it has been reviewed to reflect the Council's new delivery model.
2.	Risk mitigation activities are designed to reduce, or otherwise manage, risk at levels that were determined to be	**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

	acceptable to management and the Cabinet.	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 not achieved**. Risk Owners have a requirement to review operational risks on a quarterly basis, but this is currently not being undertaken by all Risk Owners in a timely manner. The position has been identified by the Risk Management Team and a new process has been agreed to give the Team more control and improve the reporting arrangements to Directors / Heads of Service in respect of operational risks. A full operational risk review is planned for February 2015 to allow the new process to be implemented.
4.	The Cabinet and management receive periodic reports of the results of the risk management process.	**This control objective is achieved**. Monthly reports in respect of strategic risks are considered by informal Cabinet and the Senior Management Board.

5.6   The audit identified one significant issue leading to the following recommendation: The Risk Management Team should introduce the new operational risk monitoring process as soon as possible to address the issue of operational risks not being reviewed in a timely manner and to ensure that appropriate reporting processes are in place for Heads of Service/Directors.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) None
Cabinet Member (Portfolio Holder) Keith Barrow, Leader of the Council, Brian Williams, Chairman of Audit Committee and Mike Owen, Risk Management Member Advocate.
Local Member: N/A
Appendices - None