



Committee and Date

Audit Committee

1st March 2018

1:30 pm

Item

Public

INTERNAL AUDIT RISK MANAGEMENT REPORT 2017/18

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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 February 2016.

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 designed to address relevant risks is in place, with controls being applied consistently.

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 organisation.	<p>This control objective is achieved.</p> <p>There are robust procedures in place for the identification and assessment of current and emerging strategic and operational risks. The Opportunity Risk Management Strategy (ORMS) is in place and a framework, and appropriate structure, embeds this within the Council.</p> <p>A recommendation has been made to ensure that the Roles and Responsibilities section of the ORMS should include details of who approves it¹.</p>
2.	Risk mitigation activities are designed to reduce, or otherwise manage, risk at levels	<p>This control objective is achieved.</p> <p>Risks are considered by management and controls are identified for all risks. Strategic risks are reported bi-monthly to the Senior Management Team and to informal Cabinet. Operational Risks are reported to Heads of Service and</p>

¹ In 2016/17 the strategy was approved by Cabinet, previously it was approved by the Chief Executive Officer.

	AUDIT OBJECTIVE	CONCLUSION AND SUMMARY OF FINDINGS
	determined to be acceptable to management and the board/Cabinet.	<p>Directors on a quarterly basis with an overarching report provided to the Senior Management Team. The reporting arrangements are in line with the Operational Risk Management Strategy.</p> <p>The Risk Management Team are involved in new projects and transformation work to ensure emerging risks are identified at the earliest opportunity.</p> <p>A recommendation has been made to ensure that Committee reports are checked for accuracy prior to circulation as a minor discrepancy was noted in the figures reported to Audit Committee in September 2017.²</p> <p>In addition two best practice recommendations were made to ensure consistency in the completion of operational risk registers:</p> <ul style="list-style-type: none"> • Year-end targets are consistently recorded for all medium and high risks. • Additional actions already in place are recognised as current controls.
3.	On-going monitoring activities are conducted to periodically reassess risk and the effectiveness of controls to manage risk.	<p>This control objective is achieved.</p> <p>Appropriate processes to ensure compliance with the requirements of the 2015 Insurance Act in respect of the Council's duty of fair presentation of risk have been put in place.</p> <p>The operational risk review confirmed that quarterly reviews were in place in line with the Operational Risk Management Strategy.</p>
4.	The board and management received periodic reports of the results of the risk management process.	<p>This control objective is achieved.</p> <p>Reports in respect of strategic risks are considered bi-monthly by informal Cabinet and the Senior Management Team.</p>

5.6 The audit did not identify any control weaknesses, two requires attention and two best practice 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)

² The total score for the future funding levels risk was reported as 20, whereas the risk profile stated it was 25

Risk Internal Audit Review

Cabinet Member (Portfolio Holder)

Peter Nutting (Leader of the Council) and Peter Adams (Chairman of Audit Committee)

Local Member: N/A

Appendices - None