



Committee and Date

Audit Committee

22nd February 2024

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Item

Public



Internal Audit Risk Management Report 2023/24

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Cabinet Member (Portfolio Holder):	Lezley Picton, Leader of the Council Brian Williams, Chairman of the Audit Committee. Gwilym Butler, Portfolio Holder – Finance, Corporate Resources and Communities		

1. Synopsis

Following a recent Internal Audit review of the Risk Management system, the overall control environment is assessed as **Reasonable**, with minor control weaknesses identified. The focus of the review was on user compliance with processes around operational and project risks.

2. Recommendations

- 2.1. The Committee is 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. Climate Change Appraisal

- 5.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaptation. However, the work of the Committee will look at these aspects relevant to the governance, risk management and control environment.

6. Background

- 6.1. 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 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.

- 6.2. 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 January 2022 and was assessed as 'Good'.

- 6.3. The audit review again included the processes for reviewing and updating operational risk registers and to ensure that projects risks are captured and risks are reported to Senior Management on a regular basis in line with the Opportunity Risk Management Strategy. Strategic risks are reviewed on a bi-annual basis, the outcome of each review is reported to Executive Directors and Informal Cabinet. In addition, the operational risks are reported to the relevant Assistant Director. There are no formal reporting points for project risks, these are allocated to the appropriate project board for management and review. The Risk Management Team continue to be involved with key projects where resources allow.

- 6.4. The Opportunity Risk Management Strategy is reviewed and updated on an annual basis, the last review was completed in January 2023. Face-to-face operational

review training sessions for managers was re-commenced in November 2023 and an online training module is in development.

- 6.5. The Risk Management Team comprises three full time equivalents and during 2023 a member of the team was on long term absence. Reliance is placed on Managers to complete operational risk reviews with oversight from Service Managers and Assistant Directors.

Internal Audit Risk Management Report – Executive Summary

- 6.6. 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’. Based on the audit work undertaken, the overall control environment the Risk Management system has been assessed as **Reasonable**.
- 6.7. Evaluation and testing confirmed that there is generally a sound system of control in place but there is evidence of non-compliance with some of the controls.

Control Objective: Conclusion and Summary of Findings

- 6.8. The following table shows the audit opinion against each of the four control objectives.

	AUDIT OBJECTIVE	CONCLUSION AND SUMMARY OF FINDINGS
1.	To confirm there is a robust system in place for the identification, assessment, recording and control and monitoring of operational risk.	<p>This control objective is not achieved.</p> <p>There is an Opportunity Risk Management Strategy (ORMS) in place which was approved by the Chief Executive in January 2023. The strategy clearly defines roles and responsibilities in relation to risk management.</p> <p>Risks registers demonstrate the link between risks and the outcomes identified in the Shropshire Plan.</p> <p>Operational risks are recorded within SharePoint with service areas responsible for updating these as part of their normal management activities.</p> <p>Project risks should be managed through project boards, the risk team support key projects where resources allow. There are a large number of projects ongoing within the Council and this is an area of increased risk.</p> <p>One significant recommendation was made under this objective in relation to 27% of project risks not being updated in 2023.</p>
2.	Risk mitigation activities are designed to reduce, or otherwise manage, risk at levels determined to be	<p>This control objective is not achieved.</p> <p>Risks are considered by management and controls should be identified for all risks. Strategic risks are reviewed bi-annually and reported to Executive</p>

	AUDIT OBJECTIVE	CONCLUSION AND SUMMARY OF FINDINGS
	acceptable to management and the board.	<p>Directors and Informal Cabinet. Operational Risks are reported to Assistant Directors on a bi-annual basis with an overarching report provided to Directors. The reporting arrangements are in line with the ORMS.</p> <p>One significant recommendation was made under this objective in relation to 21% of operational risks not being updated in 2023 and incomplete fields being identified with some of the 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 achieved.</p> <p>Operational risks are reviewed bi-annually in line with the ORMS and reported to Senior Management.</p> <p>All risks are recorded in SharePoint as live documents, they can be updated by Managers at any time.</p>
4.	The Board and management receive 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 quarterly by Informal Cabinet and Executive Directors.</p> <p>In addition to this the Audit Committee receive a strategic risk update on a six-monthly basis.</p>

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

Local Member: N/A

Appendices

None