



Committee and Date

Audit Committee

6th February 2025

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Item

Public



Internal Audit Risk Management Report 2024/25

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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 2023 and was assessed as 'Reasonable'.

- 6.3. The audit review again included the processes for reviewing and updating operational risk registers, the capture and monitoring of project risks and the reporting of risks 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 Risk & Business Continuity Team currently comprises two full time equivalents, following the departure of the Risk & Business Continuity Manager through the Voluntary Redundancy Scheme in autumn 2024. Management of the function is temporarily with the HR & Organisational Development Manager until the new management structures are finalised. Reliance is placed on Managers across the Council to complete operational risk reviews with oversight from Service Managers and Assistant Directors.
- 6.5. The process for updating operational risks has been reviewed by the Risk & Business Continuity Team and significant changes are due to be introduced in early 2025 following confirmation of the new staff structure, in the form of a Risk Assurance Model. The first 12-month cycle of the Model will be treated as a pilot and a decision will be made as to whether to adopt it formally going forward. It is hoped that the new model will improve Senior Management engagement, however delivery of the new model may be impacted by the recent resource reduction across Senior Management. The model includes monthly reviews of risks between operational and senior managers.
- 6.6. The Opportunity Risk Management Strategy is reviewed and updated on an annual basis, the last review was completed in July 2024. There is an online training module available for all staff which has been finalised since the previous audit. Face-to-face operational review training sessions for managers have not taken place since the departure of the Risk & Business Continuity Manager due to the reduction in resource available.

Internal Audit Risk Management Report – Executive Summary

- 6.7. 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**.
- 6.8. 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

- 6.9. 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 July 2024. 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>

	AUDIT OBJECTIVE	CONCLUSION AND SUMMARY OF FINDINGS
		<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 many projects ongoing within the Council and this is an area of increased risk.</p> <p>Two significant recommendations were made under this objective in relation to the documentation and training not currently in place for the new Risk Assurance Model due to be introduced early 2025 and some project risk registers not being maintained on SharePoint causing difficulties in ensuring accurate reporting of all project risks.</p> <p>One requires attention recommendation was also made under this objective in relation to out of date information relating to risk management in the Management Essentials handbook and the possibility of the online training module being made mandatory for all staff involved in risk management.</p>
2.	Risk mitigation activities are designed to reduce, or otherwise manage, risk at levels determined to be acceptable to management and the board.	<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 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 requires attention recommendation was made under this objective in relation to 11.9% of operational risks having a last review date pre-May 2024 and lack of clarity as to whether implementation dates are required for 21.2% of risks as they may be classes as ongoing or cannot be mitigated, therefore a date would not be required.</p> <p>It is worth noting that from May 2024, all Assistant Directors have access to a PowerBi dashboard on which they can view all risks within their area and identify those which have not been updated.</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. This will change to a rolling monthly review once the new Risk Assurance Model is implemented, with Assistant Directors playing a key role in risk reviews.</p>

	AUDIT OBJECTIVE	CONCLUSION AND SUMMARY OF FINDINGS
		All risks are recorded in SharePoint as live documents, they can be updated by Managers at any time.
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 operational risk reviews are considered twice a year by Assistant Directors, which will change once the new Risk Assurance Model is implemented when Assistant Directors will play an active part in monthly risk reviews. 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 and an annual report on project and operational risks.</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