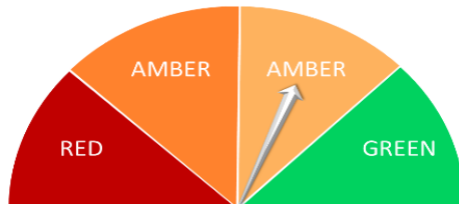


Flintshire Internal Audit

Audit Report

Title: Risk Management (2016/17)
Portfolio: Corporate
Issued Dated: NOVEMBER 2017
Report No: 50-2016/17
Report Status: FINAL

Audit Opinion



Internal Audit engagements are conducted in conformance with the Public Sector Internal Audit Standards.

1. Executive Summary:

Introduction and Scope:

An audit review of Risk Management was included in the Internal Audit Annual Plan for 2016/17.

Previous audits of Risk Management have focused on the robustness of the processes in place for the management and reporting of Strategic Risk, the alignment of Strategic Risk to the Improvement Plan, and the implementation of the CAMMS system (enterprise performance management and business intelligence suite) to provide consistency across the identification, monitoring and reporting of risk.

A Risk Management Policy and Strategy was developed in January 2016 to provide a best practice framework for the identification, assessment and control of key strategic, operational and project risk through the;

- Adoption of an effective and transparent corporate approach to proactive risk management by the Council and the work of key external partners;
- Integration of risk management into the operational and management practices and procedures of the Council to promote a culture of risk awareness; and
- Provision of information to support the Council's Annual Governance Statement (AGS), relating to the effectiveness of the arrangements for risk management and internal control mechanisms in place.

As previous audits of this area have focused on the management of Strategic Risk it was agreed this audit would focus on the identification, management and reporting of Operational Risk, with focus on;

- The robustness of the risk management processes following the implementation of the new risk management operating model, the implementation of the Risk Management Policy and Strategy (January 2016) and the continued roll out of CAMMS, with focus on the management of operational and project risks.

Audit Opinion:

In each report we provide management with an overall assurance opinion on how effectively risks are being managed within the area reviewed. Appendix A of the report details our assurance levels:

Assurance:	Explanation
Amber Green - Reasonable	Reasonable Assurance – Key Controls in place but some fine tuning required; <ul style="list-style-type: none"> • Some refinement or addition of controls would enhance the control environment • Key objective could be better achieved with some relatively minor adjustments Conclusion: key controls generally operating effectively.

The table below highlights the number and priority of agreed actions to be implemented.

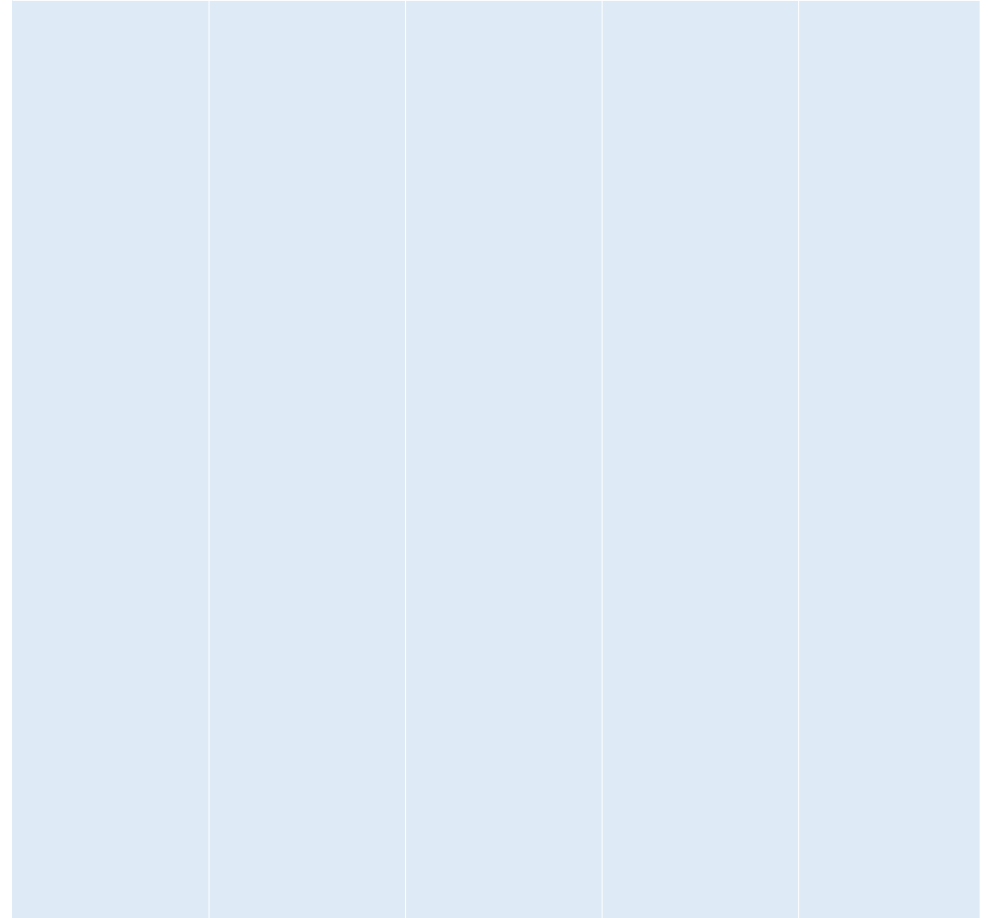
Priority	High (Red)	Medium (Amber)	Low (Green)	Total
No.	0	3	1	4

- An assessment of the extent to which operational risks are identified through Portfolio and Operational Plans.
- Processes for recording and escalating risks which are outside the control of operational managers.
- Assessing compliance with established procedures and good practice.
- A review of the actions taken and progress made to implement previous Internal Audit recommendations and WAO recommendations (where applicable).

Whilst the 2015/16 Internal Audit Report focused on strategic risk, some work was also carried out around 'Business Efficiencies', also referred to in the previous internal audit report as 'Operational Risks'. In the current audit report the term 'Operational Risk' is used to refer to the *'risks to service delivery caused by inadequate or failed internal processes, people and systems, or from any event that disrupts business processes'*. Business Efficiencies have not been reviewed as part of this current piece of work.

It was agreed with the Chief Executive that this would be a high level review to determine the adequacy of the risk management framework in place, and would not review in detail the specific content of the risk registers or performance management reports.

Discussion with Chief Officers and review of relevant documentation confirmed that whilst operational risk is managed within portfolios as part of 'business as usual' processes there is inconsistency in the way in which it is identified, evaluated and managed across the Authority as a whole.



2. Summary Findings:

Areas Managed Well	Areas for Further improvement
<ul style="list-style-type: none"> • Robust processes in place for the management of risk within strategic projects and change programmes. • Development of Portfolio Business Plans and Service Plans. • Close working links between Chief Officers allowing emerging risks to be shared / considered more widely. • Management of operational risk on a 'business as usual' basis. • Chief Officer visibility of risk through monthly one to one meetings with Service Managers. 	<ul style="list-style-type: none"> • Limited reference to operational risk (which has the potential to impact service delivery) in Service Plans. • Inconsistent approach to the identification, evaluation, management and reporting of operational risk. • Inconsistency in the processes, roles and responsibilities for the escalation and de-escalation of strategic risk. • Risk Management Policy & Strategy to be updated to reflect current and planned practice.

3. Action Plan:

Priority	Description
High (Red)	Action is imperative to ensure that the objectives of the area under review are met.
Medium (Amber)	Requires action to avoid exposure to significant risks in achieving the objectives of the area.
Low (Green)	Action encouraged to enhance control or improve operational efficiency.

No.	Findings and Implications	Agreed Action	Who	When
1 (A)	<p>Chief Officers are currently revisiting Portfolio Business Plans for the new Council term, outlining the strategic direction of the services within their portfolio, areas for service reform, and 'fit' with Council Priorities.</p> <p>Service Plans are currently in the final stages of development, and will sit beneath the Portfolio Business Plans, but there is inconsistency in the content of these Service Plans, and the references to areas of operational risk which have the potential to significantly impact service delivery (with references generally limited to risk around the achievement of 'efficiencies' and 'resilience' around change programmes).</p> <p>Risks highlighted in Service Plans are not routinely being evaluated using the Risk Matrix defined in the Risk Management Strategy.</p>	<p>Service Plans should include operational risks / emerging risks in accordance with the guidance in the Council's Risk Management Policy & Strategy.</p> <p>This needs to include:</p> <ul style="list-style-type: none"> • More immediate and visible reporting of risk; • Clarity of roles around the escalation of risk; • Appropriate responsibility for agreed risk mitigations. <p>URN 02004</p>	Colin Everett	31.03.18 ¹
2 (A)	<p>Chief Officers and Service Managers confirmed operational issues (and associated operational risks) are managed as part of 'business as usual' with issues generally identified and informally evaluated during one to one meetings and, to a lesser extent, Team Meetings. As such Chief Officers are 'generally satisfied' as to the visibility of operational risk within their portfolios, and 'confident' that adequate processes are in place for the escalation of operational risk.</p>	<p>Chief Officers to raise the profile of operational risks by reviewing portfolio processes and practices for the identification, evaluation and management of operational risks.</p> <p>Chief Officers as a collective to share and address cross portfolio operational risks.</p> <p>URN 02006</p>	Colin Everett	31.12.17

¹ This is currently a live piece of work and will be completed alongside the production of the 2018/19 Council Plan and Business Plans.

No.	Findings and Implications	Agreed Action	Who	When
	<p>The informal identification and evaluation of operational risk has resulted in inconsistency in the way operational risk is managed across portfolios, and a lack of audit trails, in particular absence of data around risk ownership, risk trend and agreed mitigations, including mitigations which involve the sharing of emerging risk with other services or portfolios.</p>			
3 (A)	<p>Discussion with Chief Officers suggested that whilst they are generally satisfied as to the visibility of risk in their portfolios, and the processes in place for the escalation of risk, the processes for the de-escalation of risk are not as clear.</p> <p>The quarterly update of strategic risks on CAMMS is driven by the Portfolio Performance Leads. Whilst a small number of Performance Leads are Service Managers (with a robust understanding of the risks being tracked) the role of a number of the Portfolio Leads is more administrative, as such there may be a less robust challenge of risks as part of the quarterly refresh process.</p>	<p>Clearer processes to be put in place for the de-escalation of risk as part of review of the Risk Management Policy and Strategy, including more 'live' tracking in CAMMS.</p> <p>Roles and responsibilities of Portfolio Performance Leads to be made clearer.</p> <p>URN 02007</p>	Karen Armstrong	31.12.17
4 (G)	<p>The Risk Management Policy and Strategy (updated January 2016) makes reference to 'a commitment to embedding risk management into the Council's culture and organisational processes at all levels including corporate/strategic, programme/project, and operational' and assumes the use of CAMMS for the capture, review and reporting of all risks, including programme, project and operational risk.</p> <p>In practice CAMMS is only used for strategic risk, business efficiencies and some project risks. Whilst it is recognised there is need for more robust and consistent processes around the identification and management of</p>	<p>Risk Management Policy & Strategy to be updated to reflect current and planned practice.</p> <p>URN 02001</p>	Karen Armstrong	31.12.17

No.	Findings and Implications	Agreed Action	Who	When
	<p>operational risk, there is no appetite for the roll out of the CAMMS system for all operational and project risks as it is considered this would add an additional administrative layer which would add limited value to the risk management process.</p> <p>As such the Risk Management Policy and Strategy document does not reflect current or planned practice and doesn't provide clarity to users.</p>			

4. Distribution List:

Name	Title
Colin Everett	Accountable Officer for the Implementation of Agreed Actions
Colin Everett	Chief Executive
Gareth Owens	Chief Officer - Governance
Claire Homard	Interim Chief Officer - Education and Youth
Neil J Ayling	Chief Officer - Social Services
Clare Budden	Chief Officer - Community & Enterprise
Steve Jones	Chief Officer - Streetscene & Transportation
Andy Farrow	Chief Officer - Environment & Planning
Neal Cockerton	Chief Officer - Organisational Change 2
Ian Bancroft	Chief Officer - Organisational Change 1
Karen Armstrong	Corporate Business & Communications – Executive Officer

Appendix A - Audit Opinion:

The audit opinion is the level of assurance that Internal Audit can give to management and all other stakeholders on the adequacy and effectiveness of controls within the area audited. It is assessed following the completion of the audit and is based on the findings from the audit. Progress on the implementation of agreed actions will be monitored. Findings from **Some** or **Limited** assurance audits will be reported to the Audit Committee.

Assurance	Explanation
Green - Substantial	<p>Strong controls in place (all or most of the following)</p> <ul style="list-style-type: none"> • Key controls exist and are applied consistently and effectively • Objectives achieved in a pragmatic and cost effective manner • Compliance with relevant regulations and procedures • Assets safeguarded • Information reliable <p>Conclusion: key controls have been adequately designed and are operating effectively to deliver the key objectives of the system, process, function or service.</p>
Amber Green - Reasonable	<p>Key Controls in place but some fine tuning required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact • Some refinement or addition of controls would enhance the control environment • Key objectives could be better achieved with some relatively minor adjustments <p>Conclusion: key controls generally operating effectively.</p>
Amber Red - Some	<p>Significant improvement in control environment required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls exist but fail to address all risks identified and / or are not applied consistently and effectively • Evidence of (or the potential for) financial / other loss • Key management information exists but is unreliable • System / process objectives are not being met, or are being met at an unnecessary cost or use of resources. <p>Conclusion: key controls are generally inadequate or ineffective.</p>
Red - Limited	<p>Urgent system revision required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls are absent or rarely applied • Evidence of (or the potential for) significant financial / other losses • Key management information does not exist • System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources. <p>Conclusion: a lack of adequate or effective controls.</p>