1.   Audit Summary – Risk Management

Background and Context

1.1   The Council faces different types of risks including internal, external, strategic, and those arising from major projects. The Accounts and Audit Regulations 2015 require the Council to have in place effective arrangements for the management of risk. Risk management is the culture, process and structures that are directed towards effective management of potential opportunities and threats to the Council achieving its priorities and objectives and is a key element of the Council's governance framework.

1.2   Given the importance of effective risk management arrangements to the Council, an audit review of arrangements and the councils progress in developing and embedding them to move further towards risk maturity is completed annually.

Scope and Objectives

1.3   The objective of the audit was to review and assess progress in the embedding of risk management processes including following up actions identified in the June 2020 Internal Audit report.

Audit Opinion

1.4   Internal Audit have provided a 'Limited Assurance' opinion regarding progress in the embedding of risk management processes and the current adequacy and effectiveness of the Council's risk management system.

Key Messages and Findings:

1.5   Over the past 12 months the Risk and Insurance Manager has performed a significant amount of work to build a strong foundation for risk management. This has included updating and publishing policies and procedures, as well as making progress to embed risk management, for example by aligning the Service Planning process to the completion of the quarter three risk registers. From the interviews conducted as part of this review, we noted that individuals had a clear understanding of risk escalation and reporting, which was an improvement on the prior year.

1.6   In addition to the above, the Council has adapted its risk management approach and internal governance structures to be able to manage the Council's response to Covid-19, including considering pandemic specific risks across the Council. Despite the challenges associated with the response to Covid-19, the Council has maintained quarterly risk reporting.

1.7   The 'Limited assurance' opinion rating is driven by a lack of clarity over the current governance of risk management and inconsistencies in the use of the current risk management tools. This inconsistency is primarily driven through the use of spreadsheets and the reliance on manual updates. The Council has recently procured a new IT system, the Pentana System for Risk Management for capturing and reporting risks, which went live in April 2021. Whilst the use of the system could not yet be audited, it has potential, when fully utilised to mitigate risks associated with the current excel spreadsheets and to facilitate dynamic risk management.

1.8   Through sample testing of Risk Registers areas of non-compliance with the risk management template were noted including missing details such as responsible officers, timescales and status of actions. This impacts on the ability to appropriately manage and monitor risks identified.

1.9   Review of Service Risk Registers identified a significant level of non-compliance with processes which, using the current tools for capturing risk, is difficult to monitor effectively. Interviews with Council directors and managers who hold risk management responsibilities highlighted issues with the tools and processes for

managing service level risk. In particular, the large spreadsheet files used for recording and managing risks are too complex and an administrative burden for staff to complete.

1.10   Whilst consideration of risk by Divisional Management Teams takes place, further clarity is required for the content of DMT risk review meetings and arrangements for providing additional service-specific support with risk management are still to be determined.

Management Response

1.11   Acknowledging it takes time to fully embed risk management, a number of actions have been agreed by management to further strengthen risk management arrangements. These include:

- Developing proposals for Corporate Leadership Board on governance arrangements that will support embedding risk management, strengthen accountability and also deliver service level support for risk management.
- Completing the roll out of the new Pentana Risk Management system to enable enhanced reporting, 'nudge' prompts for supporting compliance and targeting decision making in relation to management of risks. The roll out will be accompanied by workshops and eLearning training to reinforce compliance with risk management activity. Targeted support and further training will be informed by a cultural risk review.
- Performance monitoring to provide assurance on completeness of service risk registers.
- Enhancing the role of the Risk and Insurance Team in the Service Planning Q & A session including Head of Service sign off.
- Introduction of a risk review template at Divisional Management Teams.

1.12   The annual audit of risk management in 2021/22 will review progress in implementing these improvements and assess their effectiveness in improving management of risk at the Council.