



# Risk Management Review Final Report 2021/22

Allerdale Borough Council

Date of Issue: June 2022



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### Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

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### Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards.

## Key Dates

Report Stage	Date
Discussion Document Issued	May 2022
Final Draft Report Issued	June 2022
Client Approval Received	June 2022
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## Report Distribution

Name	Title
Michael Roper	Strategic Advisor Tier 1 – Assurance, Risk & Audit

## Audit Team

Name	Contact Details	
Jacquelyn Rutter	<a href="mailto:Jacquelyn.rutter@miaa.nhs.uk">Jacquelyn.rutter@miaa.nhs.uk</a>	07554 226203
Adrian Poll	<a href="mailto:Adrian.poll@miaa.nhs.uk">Adrian.poll@miaa.nhs.uk</a>	07798 580335

## Acknowledgement and Further Information

MIAA would like to thank all staff for their co-operation and assistance in completing this review. This report has been prepared as commissioned by the organisation, and is for your sole use. If you have any queries regarding this review please contact the Audit Manager. To discuss any other issues then please contact the Director. MIAA would be grateful if you could complete a short survey using the link below to provide us with valuable feedback to support us in continuing to provide the best service to you.

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# 1 Executive Summary

## 1.1 Objective

The overall objective of the audit was to evaluate the risk management arrangements including the systems in place to record risk and the processes in place to ensure that significant risks are escalated to the Executive.

## 1.2 Opinion

<b>Moderate Assurance</b>	There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk.
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## 1.3 Key Findings

Overall, the review identified that there is a compromised system of internal control in relation to Risk Management. Due to restructuring within the organisation there was a lack of evidence to demonstrate support from the Council’s Assurance Risk & Audit Team between the period September 2021 to May 2022, to ensure a consistent approach to risk management was in place.

A high-risk recommendation has been raised in relation to monitoring and reporting of risks. Although there is evidence to demonstrate that a corporate risks and issues log is in place and a service risk register, some of the risks within these do not appear to have been reviewed and updated for some time. The service risk registers lack sufficient detail to ensure that risks are mitigated and action plans identified.

Discussions with key staff identified that review of risks and associated risk registers are standing agenda items at Service Level meetings and at SMT meetings, however there was a lack of documented evidence to demonstrate the level of discussion and scrutiny of risks and any subsequent escalation to the corporate risk register.

Whilst we recognise that steps have been taken to address the management of risks, this work is ongoing and as such will require more time to be implemented. The recommendations raised in this review are designed to support the development of these systems and processes.

The following provides a summary of the key themes.

Sub Objective	Key Themes
Risk Management Framework and Strategy	<p>Areas of good practice:</p> <ul style="list-style-type: none"> <li>• The Council has an Integrated Assurance Strategy in place, which incorporates the Risk Management Framework, dated March 2020.</li> <li>• The strategy is available to all staff via the intranet.</li> <li>• The Council use a three lines of defence model for the management of risks, with the Senior Management Team (SMT) responsible for risk management and assurance.</li> </ul> <p>Areas for improvement:</p> <ul style="list-style-type: none"> <li>• It was identified that the strategy was updated in April 2020 to reflect various organisation changes and restructures, however the strategy is yet to be formally ratified. <b>(Medium Risk)</b></li> </ul>
Roles and Responsibilities	<p>Areas of good practice:</p> <ul style="list-style-type: none"> <li>• The Assurance Risk and Audit team are available to support and advise staff around risk management.</li> <li>• Responsibility for embedding risk management in the governance arrangements has been assigned at a senior level.</li> <li>• Roles and responsibilities are clearly outlined as an Appendix in the Integrated Assurance Strategy.</li> </ul> <p>Areas for improvement:</p> <ul style="list-style-type: none"> <li>• Due to the re-organisation of the council’s service areas, some of the ownership of risks needs updating.</li> <li>• There was confusion as to which Portfolio Holder was responsible for Integrated Assurance and Risk Management. It was discussed that this would fit within Assurance Risk and Audit, however this was not specified. <b>(Medium Risk)</b></li> </ul>
Training	<p>Areas for Improvement:</p> <ul style="list-style-type: none"> <li>• Audit review identified that a Risk workshop was last provided to managers in February 2020 and</li> </ul>

Sub Objective	Key Themes
	<p>risk training to the Audit Committee in January 2019.</p> <ul style="list-style-type: none"> <li>• More regular training should be introduced and encouraged for all members.</li> <li>• A training needs analysis should be developed to identify gaps in training and feedback should be sought, to evidence it improves understanding and ability to provide oversight in the process. <b>(Medium Risk)</b></li> </ul>
<p>Risk Grading, Monitoring and Management</p>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> <li>• The Integrated Assurance Strategy provides an organisational approach to service risks.</li> <li>• A Service Risk Register is in place.</li> <li>• Each service has its own section in the organisations Service Risk Register. There is a template used by all services to provide a consistent approach. The template along with guidance on completion is available within the Integrated Assurance Strategy.</li> <li>• Each risk had been scored including a risk rating using the 4x4 methodology as documented within the integrated assurance strategy.</li> <li>• Discussions with key staff identified that review of risks and associated risk registers are standing agenda items at Service Level meetings and at SMT meetings.</li> </ul> <p>Areas for improvement:</p> <ul style="list-style-type: none"> <li>• There was a lack of documented evidence to demonstrate the level of discussion and scrutiny of risks and any subsequent escalation to the corporate risk register.</li> <li>• Audit review of the service risk register identified that risks did not meet quality checks in relation to completion, format and detail recorded.</li> <li>• Risk description and controls were not clear or well documented.</li> </ul>

Sub Objective	Key Themes
	<ul style="list-style-type: none"> <li>• Current controls and an update on the risk were not documented. The current risk register documents date to complete/review, however it was unclear whether these have been implemented and an update on the current status of the risk was not identified.</li> <li>• Gaps in controls and assurance, including a risk lead/owner had not been identified for all risks.</li> <li>• Actions did not clearly address all gaps identified in controls.</li> <li>• Clear slippage was noted in the implementation of actions. Review of the service risk register identified some risks dated 2018/19. <b>(High Risk)</b></li> </ul>
Governance arrangements	<p>Areas of good practice:</p> <ul style="list-style-type: none"> <li>• A Corporate Risks and Issues Log is in place which is accessed via Share-point.</li> <li>• Managers are encouraged to take ownership of and review their risks regularly adding any new risks as they arise.</li> <li>• Audit review of the Corporate Risks and Issues Log identified that there was evidence to demonstrate that mitigating actions had been assigned to a relevant person and modified recently to evidence recent review.</li> <li>• Responsibilities are assigned and mitigating actions should be regularly updated. Risks are linked to Council Plan Objectives.</li> </ul> <p>Areas for improvement:</p> <ul style="list-style-type: none"> <li>• The integrated assurance strategy outlines that the Senior Management Team (SMT) are responsible for the review of the risk log and that this is a quarterly agenda item, with any new risks escalated as they emerge.</li> <li>• It was identified that the SMT meeting are not minuted and review of the issues log identified that</li> </ul>

Sub Objective	Key Themes
	there was no evidence to demonstrate review and scrutiny of risks.

### 1.4 Recommendation Summary

The table below summarises the prioritisation of recommendations in respect of this review.

Critical	High	Medium	Low	Total
0	1	3	0	4

## 2 Engagement Objectives and Scope (Terms of Reference)

### 2.1 Objective

The overall objective of the audit was to evaluate the risk management arrangements including the systems in place to record risk and the processes in place to ensure that significant risks are escalated to the Executive.

## 3 Detailed Findings and Recommendations

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.



## 1. Risk Monitoring and Management

Risk Rating: High

### Operating effectiveness

#### Key Finding –

- There was a lack of documented evidence to demonstrate the level of discussion and scrutiny of risks and any subsequent escalation to the corporate risk register.
- Audit review of the service risk register identified that risks did not meet quality checks in relation to completion, format and detail recorded.
- Risk description and controls were not clear or well documented.
- Current controls and an update on the risk were not documented. The current risk register documents date to complete/review, however it was unclear whether these have been implemented and an update on the current status of the risk was not identified.
- Gaps in controls and assurance, including a risk lead/owner had not been identified for all risks.
- Actions did not clearly address all gaps identified in controls.
- Clear slippage was noted in the implementation of some actions.

**Specific Risk –** Risks may have outstanding actions, become obsolete or include out of date information.

Risks may not be appropriately assigned resulting in outstanding actions or lack of monitoring and review.

**Recommendation –** Action plans should be produced for all open risks to mitigate risks, which are recorded on the risk register. Each gap in control identified should have a respective action plan. All actions should be assigned a lead/owner to ensure they are appropriately assigned for monitoring.

Assurances on the action plans in place should be reported to the relevant groups/committees on a regular basis and any update or movement in risks are clearly documented and tracked.

**Management Response –** Both service and corporate risk register to be subject to regular (at least quarterly) quality checks by Risk, Assurance & Audit team, including compliance with Integrated Assurance Strategy and best practice. Regular feedback to be provided to Senior Management Team and Audit Committee.

Responsible Officer – Strategic Advisor Tier 1 – Assurance, Risk & Audit

Implementation Date – 30 July 2022 (Process) / 30 September 2022 (Reporting)

## 2. Scrutiny and Challenge of Risks

Risk Rating: Medium

### Control design

Key Finding – There was a lack of dialogue and scrutiny of risks, in particular the scoring of these and their mitigation and action plans.

Specific Risk – Risk scoring may not be appropriately applied or aligned to risk tolerance of the Council.

Recommendation – Discussion around risks and their associated ratings should be justified and documented to ensure that a consistent risk scoring methodology has been applied and that a secondary review is in place to ensure that risks have been appropriately assessed.

Management Response – Quarterly review identified above to include gap analysis and review of any amendments/additions to ensure consistent approach to assessment (including ensuring amendments are documented as part of the process). Snapshots of risk register to be taken quarterly to provide evidence of updates.

Responsible Officer – Strategic Advisor Tier 1 – Assurance, Risk & Audit

Implementation Date – 30 July 2022

### 3. Training

Risk Rating: Medium

#### Operating Effectiveness

##### Key Finding –

- Audit review identified that a Risk workshop was last provided to managers in February 2020 and risk training to the Audit Committee in January 2019.
- There was no evidence to demonstrate who specifically had received risk management training.

Specific Risk – Staff have not received training required.

##### Recommendation –

- More regular training should be introduced and encouraged for all members.
- A training needs analysis should be developed to identify gaps in training and feedback should be sought, to evidence it improved understanding and ability to provide oversight in the process.

Management Response – Training needs assessment to be performed as part of initial quarterly review. Risk workshop already arranged for one risk area, with further to follow, alongside updates and discussions with SMT on a regular basis.

Responsible Officer – Strategic Advisor Tier 1 – Assurance, Risk & Audit

Implementation Date – 30 July 2022

#### 4. Risk Management Strategy and Roles and Responsibilities

Risk Rating: Medium

##### Operating Effectiveness

###### Key Finding –

- It was identified that the integrated assurance strategy was updated in April 2020 to reflect various organisation changes and restructures, however the strategy is yet to be formally ratified.
- Due to the re-organisation of the council's service areas, some of the ownership of risks needed updating.
- There was confusion as to which Portfolio Holder was responsible for Integrated Assurance and Risk Management. It was discussed that this would fit with the Assurance Risk and Audit area, however this was not specified.

Specific Risk – Strategy is not reflective of current Council practice. Responsibility for risk management has not been clearly defined or understood.

Recommendation – The Integrated Assurance Strategy should be reviewed to ensure it reflects current working practices and formally ratified by an appropriate group.

Roles and responsibilities and the Portfolio Holder should be formally defined.

Management Response – Strategy to be reviewed and issued for approval by Senior Management Team.

Responsible Officer – Strategic Advisor Tier 1 – Assurance, Risk & Audit

Implementation Date – 30 July 2022

## Follow-up

A follow-up exercise will be undertaken during 2022/ 23 to evaluate progress made in respect of issues raised. This will include obtaining documentary evidence to demonstrate that actions agreed as part of this review have been implemented.

## Appendix A: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
Moderate	There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	There is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the system objectives.

Risk Rating	Assessment Rationale
Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation's objectives in relation to: <ul style="list-style-type: none"> <li>the efficient and effective use of resources</li> <li>the safeguarding of assets</li> <li>the preparation of reliable financial and operational information</li> <li>compliance with laws and regulations.</li> </ul>
High	Control weakness that has or could have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
Medium	Control weakness that: <ul style="list-style-type: none"> <li>has a low impact on the achievement of the key system, function or process objectives;</li> <li>has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.</li> </ul>
Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.