



Committee and Date

Audit Committee 4th

March 2021

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Item

Public

INTERNAL AUDIT RISK MANAGEMENT REPORT 2020/21

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1. Summary

This report summarises the findings identified in the Internal Audit review of Risk Management. The overall control environment for the Risk Management system is assessed as **Good**, the highest rating that can be given, no control weaknesses were identified.

2. Recommendations

The Committee are 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 adaption. Therefore, no effect.

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 February 2020.
- 6.3 Due to the COVID19 pandemic there have been significant revisions to the annual audit plan, as a result Risk Management was completed as a self-assessment control questionnaire. This approach was taken when considering the previous good assurance rating and with management confirmation that there had been no changes to staff, nor significant changes to the processes since the previous audit.
- 6.4 The self-assessment questionnaire was completed by the Risk and Business Continuity Team Leader and the answers reviewed by a Principal Auditor.

Internal Audit Risk Management Report – Executive Summary

- 6.5 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 **Good**, the highest rating that can be given.
- 6.6 Evaluation and testing confirmed that a sound system of control designed to address relevant risks is in place, with controls being applied consistently.

Control Objective: Conclusion and Summary of Findings

- 6.7 The following table shows the audit opinion against each of the four control objectives. Full compliance has been achieved in all the objectives.

	AUDIT OBJECTIVE	CONCLUSION AND SUMMARY OF FINDINGS
1.	Risks arising from business strategies and activities are identified and prioritised and management and the board have determined the level of risk acceptable to the organisation.	<p>This control objective is achieved.</p> <p>There are robust procedures in place for the identification and assessment of current and emerging strategic and operational risks. The Opportunity Risk Management Strategy (ORMS) is in place and a framework, and appropriate structure, embeds this within the Council.</p> <p>The Risk and Business Continuity Team Leader continues to be involved in projects, though as a result of storms, floods and COVID19 pandemic this undertaking has been a lighter touch concentrating on following up on the management of project risks.</p> <p>All operational risks are now recorded within SharePoint and therefore face to face training has not been necessary as people are familiar with how to navigate SharePoint. A PowerPoint presentation has been circulated to all operational risk owners guiding them through the process of updating, archiving or adding new risks directly into the system.</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 achieved.</p> <p>Risks are considered by management and controls are in place for all risks. Strategic risks are reviewed quarterly and reported to Directors and Informal Cabinet. Operational Risks are reported to Heads of Service and Directors on a bi-annual basis with an overarching report provided to Directors. The reporting arrangements are in line with the Operational Risk Management Strategy.</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>Appropriate processes to ensure compliance with the requirements of the 2015 Insurance Act in respect of the Council's duty of fair presentation of risk have been put in place.</p> <p>The operational risk review confirmed that bi-annual reviews were in place in line with the Operational Risk Management Strategy.</p> <p>Project risks are being migrated into SharePoint and will be maintained in the same way that operational risks are.</p> <p>There has been a delay in migrating strategic risks to SharePoint as staff have needed to respond to flooding and the COVID19 pandemic.</p>

	AUDIT OBJECTIVE	CONCLUSION AND SUMMARY OF FINDINGS
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 Directors.</p> <p>In addition to this the Audit Committee receive a strategic risk update on a six-monthly basis.</p> <p>Risk Management training is provided to Audit Committee Members on a more regular basis. Updates have been provided in 2020/21 detailing the response to the pandemic.</p>

- 6.8 The self-assessment review did not identify any control weaknesses and no recommendations have been raised as a result of the review undertaken.

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

Cabinet Member (Portfolio Holder)

Peter Nutting (Leader of the Council) and Peter Adams (Chairman of Audit Committee)

Local Member: N/A

Appendices - None