



Internal Audit

**FINAL**

Appendix 2a

## South Lakeland District Council

Assurance Review of Risk Management

2019/20

November 2019

# Executive Summary

**OVERALL ASSURANCE ASSESSMENT**

**OVERALL CONCLUSION**

- The Audit Committee has overall responsibility for providing assurance on the adequacy of the Council’s risk management arrangements.
- The arrangements for the review and update of the Strategic Risk Register have been complied with, including regular reports to SMT and Committee.
- Risk management training has recently been provided to members.
- Service Plans include Operational Risk Registers, however, it was found that very few risks had been noted, increasing the probability that not all risks are being managed.

**SCOPE**

This high-level review considered the arrangements in place for the identification and management of risks, including the identification of controls and actions designed to mitigate risk. This review forms part of the rolling three-year programme of key financial and governance audits.

**ACTION POINTS**

Urgent	Important	Routine	Operational
0	5	2	0

## Management Action Plan - Priority 1, 2 and 3 Recommendations

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Directed	Training for Members and Councillor is delivered annually through bespoke presentations. This was last delivered in August 2019. For any Members and Councillors who do not attend the group sessions, the Performance and Risk Officer is available to deliver training on a 1:2:1 basis. It was noted that Risk management training for staff and members is not mandatory.	Risk Management training be mandatory for key organisational roles.	2	A report will be prepared on publication of the appointed Customer Connect phase 1 & 2 roles and the publication of a complete organisational diagram. The report will present the key organisational roles – both strategic and operational - for mandatory training and strategic and operational risk register reviews. The mandatory status for training and reviews of risk registers allocated to key roles, if approved, will be reflected in member roles by committee services and staff roles by human resources and within risk documentation by Case Management.	Phase 1 and 2 roles and their position within a new organisational diagram will be published by (31/03/20)  Report actioned within 1 month of above  Relevant documentation updated within 3 months of above.	Customer Connect Programme Board  Report actioned by Case Management  Staff documentation actioned by Lead Human Resources Specialist  Member documentation actioned by Legal Governance Democracy Lead Specialist.

### PRIORITY GRADINGS

**1 URGENT** Fundamental control issue on which action should be taken immediately.

**2 IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3 ROUTINE** Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
4	Compliance	Operational Risk Registers are required to be reviewed and updated on an annual basis as part of the review and update of each areas Service Plan. Most of the risk registers have an annual review date of March, with most recently reviewed in March 2019.	As the Council is going through considerable change, Operational Risk Registers be reviewed and updated on a quarterly basis.	2	<i>During the transition phase, as a temporary measure, Operational Risk Registers will be reviewed by members of Leadership Team.</i>	31/03/20	<i>Actioned by members of Leadership Team. Facilitated by Case Management.</i>
5	Compliance	Fourteen Operational Risk Registers were provided as evidence. In each instance, it was confirmed that the corporate process for documenting risks had been utilised and risks prioritised using the corporate risk matrix. However, it was identified that the Operational Risk Registers only included a small amount of risks, on average less than six. Due to the limited number of risks noted in the Operational Risk Registers, there is a concern that Operational Managers are not fully aware of the processes for identifying and documenting the risks which may impact on their service area and that not all risks are being managed appropriately.	Further guidance on the operational aspects of risk management be documented and provided to relevant staff to ensure all officers involved in risk management understand their responsibilities and the actions which they must undertake to ensure risks are identified and managed as required.	2	<i>Case Management will publish and maintain a Risk Management Training Programme detailing member and officer requirements (strategic and operational) and dates for training. This training programme will inform the training published by human resources and committee services.  Case Management will further raise the profile of the Risk Management resources, training material and risk registers available in one place via the staff intranet home page.</i>	31/03/20	<i>Actioned by Case Management</i>

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
6	Compliance	Fourteen Operational Risk Registers were reviewed. In each instance, it was confirmed that the corporate process for documenting risks had been utilised and risks prioritised using the corporate risk matrix. It was identified, however, that the Operational Risk Registers only included a small amount of risks, on average less than six. Due to the limited number of risks noted in the Operational Risk Registers, there is a concern that Operational Managers are not fully aware of the processes for identifying and documenting the risks which may impact on their service area and that not all risks are being managed appropriately. It was noted that none of the 14 Operational risk Registers included any fraud risks.	It be ensured that Operational Managers liaise with the Corporate Anti-Fraud Officer to assess potential fraud risks within their business area and to record findings on their Operational Risk Registers.	2	<i>Case Management will highlight the need to consider fraud risks – by referencing fraud resources and links in key risk documentation, within training material, via the staff ‘Risk Management’ intranet page and within operational risk registers.</i>	31/03/20	Actioned by Case Management
7	Compliance	It was noted that for certain risks where the Operational Risk Registers referred to specific numbered risks on the Strategic Risk Register, they did not always correlate, with some “live” operational risks having been archived on the Strategic Risk register a number of years ago.	It be ensured that authors of Operational Risk Registers review their risk registers to ensure all entries correlate with the current numbering on the Strategic Risk Register.	2	<i>During the transition phase, as a temporary measure, Case Management will ensure all operational risk register entries correlate with the current numbering on the Strategic Risk Register.</i>	31/03/20	Actioned by Case Management

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	Progress on organisational change (and organisational change risks) is reported weekly to the Customer Connect Programme Board and, on a regular basis, to Audit Committee. Realigning the policy, training and operational risk registers will be completed during March / April 2020. During this time of realignment in process, roles and responsibilities at SLDC are adapting. This has caused a slight delay in the risk management program as there is currently no stability in the Operational Leads positions.	It be announced, as soon as it is possible, which staff have phase 2 roles and where they are positioned within the new organisational structure. This will assist the Performance and Risk Officer in the delivery of the risk management program.	3	<i>Phase 1 and 2 roles and their position within a new organisational diagram will be published by (31/03/2020)</i>	31/03/20	Actioned by Customer Connect Programme Board
2	Directed	SLDC have a Risk Management Process document (V9) which describes how the Council goes about managing risk. This can be found on the "Performance Management" page on the Councils Website. The document is subject to an annual review, however, it was noted that the version on the SLDC website refers to a Version 6.0 April, dated 2016.	It be ensured that the SLDC website is updated with the latest version of the Risk Management Process document (V9).	3	<i>This website will be updated with the latest version of the Risk Management Process (version 9).</i>	01/12/19	Actioned by Case Management

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## Operational Effectiveness Matters

Ref	Risk Area	Item	Management Comments
No Operational Effectiveness Matters were identified.			

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

## Detailed Findings

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### Introduction

1. This review was carried out in November 2019 as part of the planned internal audit work for 2019/20. Based on the work carried out an overall assessment of the overall adequacy of the arrangements to mitigate the key control risk areas is provided in the Executive Summary.

### Background

2. Risk management will strengthen the ability of South Lakeland District Council to achieve its objectives and enhance the value of services provided, to make the area a place where people want to live and work, where they are able to enjoy a high quality of life.

### Materiality

3. As per the Council Plan, South Lakeland District Council aims to improve prosperity, ensuring a positive benefit for every part of the community and to make South Lakeland the best place to live, work and explore. The Council has budgeted expenditure of £35.3 million in 2019/20 in order to work towards achieving this.

### Key Findings & Action Points

4. The key control and operational practice findings that need to be addressed in order to strengthen the control environment are set out in the Management and Operational Effectiveness Action Plans. Recommendations for improvements should be assessed for their full impact before they are implemented.

### Scope and Limitations of the Review

5. This high-level review considered the arrangements in place for the identification and management of risks, including the identification of controls and actions designed to mitigate risk. This review forms part of the rolling three-year programme of key financial and governance audits.
6. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan.

### Disclaimer

7. The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

## Risk Area Assurance Assessments

8. The definitions of the assurance assessments are:

<b>Substantial Assurance</b>	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
<b>Reasonable Assurance</b>	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
<b>Limited Assurance</b>	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
<b>No Assurance</b>	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

## Audit Contacts

9. For any queries or to discuss the content of this report, please contact either of the following:

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## Audit Report Distribution

10. We would like to thank staff for their co-operation and assistance during the course of our work.

<b>For Action:</b>	Paul Mountford, Performance, Innovation and Commissioning Specialist
<b>For Information:</b>	Helen Smith, Finance Lead Specialist and Section 151 Officer

## Release of Report

11. The table below sets out the history of this report.

<b>Date draft report issued:</b>	20 <sup>th</sup> November 2019
<b>Date management responses received:</b>	20 <sup>th</sup> November 2019
<b>Date final report issued:</b>	20 <sup>th</sup> November 2019