

Corporate Audit and Risk Management

Internal audit report

Lincolnshire County Council

Strategic Risk Management

Auditor	Darren Wright
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Introduction and Scope

We have completed a risk based audit of the systems and processes in place for Strategic Risk Management. This is part of the agreed plan of work for 2009/10.

The purpose of this audit was to provide an opinion on the effectiveness of arrangements in place to ensure that an adequate level of risk management is embedded into the Council's corporate business processes to give an assurance to the Council regarding controls and the impact of systems on the Comprehensive Performance Assessment. The review focused on the following areas:

- Strategic Risk Management Strategy
- Management of risk at a strategic level
- Integration of risk at service level
- Risk registers and their review process
- Corporate Risk Register
- Roles, responsibilities and accountability for risks
- The role of the Risk Champion
- Project and partnership risks

We agreed with managers which key risks the review would concentrate on.

Management Summary

Assurance Opinion

Substantial Assurance

Our review confirms that the direction of travel is progressing positively; work is continuing to ensure the integration of Risk Management and determining the risk appetite of officers and members throughout the whole of the organisation. Roles, responsibilities and ownership for risk management have been assigned at operational and strategic levels; however some services still place reliance on the Strategic Risk Management Team effectively managing their risk management processes.

The council has a Risk Management Strategy in place which is due to be updated in the near future following a review of the Corporate Audit and Risk Management Service.

Corporate risks and associated actions are effectively managed and reviewed on a regular basis. Adequate reporting arrangements are in place in respect of the Corporate Risk Register.

Overview

The Risk Management Strategy defines a comprehensive framework and process to support members and officers in ensuring that the Council is able to fully discharge its risk management responsibilities.

The Council's Risk Management Team is resourced by the Strategic Risk Manager and the Corporate Risk Management Officer. The team's primary role is to support the Council and its Directorates in the effective development, implementation and review of Risk Management and to integrate and embed a risk culture within the organisation. The team's work is complimented by the work carried out by the Internal Audit team. The Directorate Risk Champions support the work of the Risk Management Team.

Areas where it is felt improvements could be made include:-

- The Council reviewed the Risk Management Strategy in 2008. There are elements of the Strategy which require updating such as definition of corporate risk, the escalation process and associated guidance tools. Not all officers were aware of the Strategy and the associated guidance.
- Corporate risks are currently in line with the Corporate Business Plan; assurance cannot be given that Directorates/Services will identify other significant risks.
- We found that the application of the risk management process as set out by the strategy varies in quality and commitment between services. The use of the risk champions and level of support required from the strategic risk management team also varies. The Strategic Risk Manager has identified that work is beginning to understand what the Council wants from its risk management system and how this fits in with changes currently taking place following the economic measures. This work is likely to significantly change the process and inform an update of the strategy
- There is a need to increase the emphasis on risk management processes with partnerships and relationships with external bodies. Specific risk registers examined as part of this review require updating.

We found areas of good practice including:

- The Risk Management Strategy defines a comprehensive framework and process to support members and officers in ensuring that the Council is able to fully discharge its risk management responsibilities.
- An adequate structure is in place to enable risk management to be led and monitored within the council and responsibilities are clear.
- Key strategic risks, held on the Corporate Risk Register, are monitored through the Strategic Risk Management Team, monitored by the

Corporate Risk & Safety Steering Group and overseen by the Audit Committee

- The Risk Management Team are proactive in challenging the Council's appetite for risk management and whether it continues to be seen as an add-on to day to day working practices.
- Key risks from the Corporate Risk Register are considered when producing the Internal Audit plan.
- The Council is actively involved in joint working and is a member of the Greater Lincolnshire Risk Manager Group.
- The Risk Management Team has provided joint risk management training for elected members.
- Recently the management of programme and project risks has been strengthened through the development of a guide to managing risks in projects.

Actions and Priorities

- Review risk appetite with the Council which will inform the update of the strategy
- Re-enforcement of roles and responsibilities through risk management training and risk appetite workshops
- Gain assurance on the management of project and partnership risks through the corporate risk register work

Management Response

I am pleased with the outcome of this audit and believe that it provides a true reflection of where the organisation is currently at in terms of the maturity of its processes and systems for managing risk.

Moving forward however, the greater challenge will be to help the Council fully embrace risk management as an enabler for taking well thought through measured risks rather than it being used as a weapon to avoid risk with the consequence of stifling innovation. Work has already started on reviewing the Council's 'appetite' for risk and a preliminary discussion with the Chief Executive and Executive Director Performance and Governance provided a good steer on the 'tone from the top'. Over the coming weeks, during the period in which the Council will go through its organisational restructure, we'll be working closely with the Management Board, new Elected Member Risk Champion and new Senior Management cadre to shape up the revised risk management strategy and update the Corporate Risk Register. This is a challenge which the Risk Management Team very much look forward to supporting and leading on.

Findings, Recommendations and Agreed Actions

Risk	Failure to embed/integrate risk management throughout the Council.
Current Risk Level	Medium
Target Risk Level	Low

	Findings	Recommendations	Agreed Actions	Priority	Responsibility & Timescale
Risk Management Strategy and Resource Pack					
1.1	<p>The Risk Management Strategy was last revised in March 2008.</p> <p>There are elements of the Strategy which require updating in light of changes within the organisation and implications of the forthcoming review of the Corporate Audit and Risk Management Team.</p> <p>The Strategy refers to being supported by a detailed Manual of Guidance, however this does not exist.</p>	<p>The Risk Management Strategy should be reviewed at the earliest opportunity to reflect required changes in management, outcome of the review of the Corporate Audit and Risk Management Team structure, improvements identified by the Risk Management Team and issues raised through this audit review.</p>	<p>Agreed.</p> <p>Work on reviewing the Strategy will commence towards the end of the financial year.</p> <p>Risk appetite work is to be carried out from February 2011 and the review of the Corporate Audit and Risk Management Team structure will be out for consultation in January/February 2011. The results of this work will inform the revision of the Strategy.</p>	Medium	<p>Sarah Tennant</p> <p>31st March 2011</p>
1.2	<p>A review of the Risk Management Strategy and discussions with key officers concludes that the document, whilst fit for purpose, is lengthy and there are elements of which are considered duplication of the associated Resource Pack.</p> <p>The Strategy contains detailed</p>	<p>The format of the Strategy should be considered at the time of review.</p> <p>There should be a clear linkage between the Risk Management Strategy and the Risk Management Resource Pack.</p> <p>The Strategy should document the</p>	<p>Agreed.</p> <p>This will be dealt with via the Risk Appetite workshops and also informed by the findings of this audit.</p> <p>A clear linkage will exist between the 2 documents.</p>	Low	<p>Sarah Tennant</p> <p>31st March 2011</p>

	<p>guidance on each step within the risk management cycle, whereas the Resource Pack, whilst considered to be the step by step guide, is brief in comparison.</p> <p>Documented roles and responsibilities exist for each function within the Risk Management Process; however these are not fully documented within the Risk Management Strategy.</p>	<p>roles and responsibilities of each function within the Risk Management Process.</p>	<p>The Strategy will be expanded to document the roles and responsibilities of each function.</p>		
1.3	<p>The risks currently on the Corporate Risk Register are in line with the themes and outcomes within the Corporate Business Plan.</p> <p>Whilst the Scope & Approach section of the Strategy states ‘when issues of corporate significance are identified at operational level, they will be escalated to the appropriate level...’ it does not outline the specific escalation process Services are required to follow.</p> <p>Discussions with key officers confirmed that the process for escalation of key risks is unclear.</p> <p>The definition of a Corporate Risk</p>	<p>A clear process for identifying new or emerging risks, or flagging up when existing risks may need to be escalated, should be introduced as part of the Risk Management Strategy.</p> <p>Guidance on the monitoring and reporting arrangements should be clearly outlined within the Risk Management Resource Pack.</p> <p>The Strategy should clearly define what is considered to be a Corporate Risk.</p>	<p>Agreed. This will be captured as part of the Risk Management Strategy review.</p> <p>Briefing note has been prepared for presentation to the Corporate Audit team and updated Risk Management Training slides have been prepared for inclusion in the Risk Management training. The documents capture both the escalation process and the definition of a Strategic Risk.</p>	Medium	<p>Sarah Tennant</p> <p>31st March 2011</p>

	is not clearly defined within the Strategy.				
1.4	<p>No promotion of the strategy has taken place since it was refreshed in March 2008.</p> <p>There are Heads of Service within the Council who are not aware of the Risk Management Strategy or the associated guidance documents available; i.e. Risk Management Resource Pack, Project Risk Management Guide & Toolkit and Partnership Guidance documents.</p>	<p>The Risk Management Strategy should be widely communicated throughout the authority.</p> <p>The revised Risk Management Strategy and associated guidance documents should be promoted through the appropriate groups, Management Team meetings and Risk Champions.</p> <p>New employees, as appropriate, should be made aware of the documents as part of the corporate induction programme.</p>	<p>This will be done through the Risk Management training to be provided by Mouchel. The training will target initially Heads of Service that have not received training for some time or not at all.</p> <p>Once Risk Appetite workshops have been delivered to the Corporate level, consideration will be given to delivering this to Service Level; i.e. localised workshops to understand the appetite and tolerance Services have to risk. Promoting the principals of the revised Strategy.</p>	Low	<p>Mouchel to provide training from June '11 onwards.</p> <p>Sarah Tennant to promote revised Strategy 31st March 2011</p>
Key Structure, Responsibilities and Reporting Lines					
1.5	<p>Review of the key structure and reporting lines within the Risk Management Strategy identified the following:</p> <ul style="list-style-type: none"> ▪ The role of the Risk Champion is not separately identified. ▪ The reporting arrangement between the Directorate Management Team and the 	<p>The Risk Champion role should be separately identified showing the link to the Risk Champion Network Group and individual Services/ Directorates.</p> <p>Specific responsibilities of the Directorate Risk & Safety Co-ordination Group and the role of the Directorate Management Team should be clarified.</p>	<p>Agreed. It is acknowledged that the current structure is out of date. The draft Risk and Safety Governance Structure will replace this and form part of the revised Strategy.</p> <p>The revised structure forms part of the training documents.</p>	Low	<p>Sarah Tennant</p> <p>31st March 2011</p>

	<p>Directorate Risk & Safety Co-ordination Group is unclear.</p> <ul style="list-style-type: none"> ▪ The creation and maintenance of the directorate risk register is currently shown within the terms of reference for the Directorate Risk & Safety Co-ordination Group rather than Directorate Management Team. ▪ The responsibilities of the Service Managers and the escalation of Risk Registers/key issues are unclear. 	<p>The structure requires further clarity regarding the responsibilities of the Service Managers and the Directorate Risk Management Team.</p>			
Directorate Risk Champion					
1.6	<p>Membership of the Directorate Risk Champion Group has not recently been promoted.</p> <p>Heads of Service seen during the course of the audit were unable to name their Directorate Risk Champion.</p> <p>Services generally contact the Risk Management Team when advice and support is required.</p> <p>The role of the Directorate Risk Champion is to be integrated into the Corporate Risk and Safety</p>	<p>The role of the Directorate Risk Champion should be promoted, outlining the guidance and support they provide to Directorates in the management of risk.</p> <p>Key officers within Directorates/ Services should be informed of who their Directorate Risk Champion is together with their specific roles and responsibilities.</p> <p>Directorate Risk Champions should actively promote their role on an ongoing basis.</p>	<p>Agreed.</p> <p>The work of the Risk Champions is to be integrated within the roles and functions of the Directorate Risk and Safety Groups. They will have a route of escalation to the Directorate Sponsor.</p> <p>The names of the Risk Champion are on George and will be promoted through the Directorates.</p>	Low	<p>Sarah Tennant</p> <p>Completed</p>

	Group structure. Whilst the Risk Champion Network Group will continue to meet, this will be to look at training and development of the role.				
1.7	<p>The role of the Risk Champion is responsive more than proactive.</p> <p>The documented role of the Directorate Risk Champion lists the key functions that <u>could be considered</u> (as per industry guidance) rather than specific roles and responsibilities.</p> <p>The lack of a definitive role for the Directorate Risk Champion has led to an inconsistent approach across the authority.</p>	<p>The role of the Directorate Risk Champion should be fully reviewed to include specific responsibilities, ensuring a consistent and effective lead for the integration of risk management within the Services/ Directorates.</p>	<p>The role of the Directorate Risk Champion cannot be so prescriptive. The role of Risk Champion is an additional role and not a formal part of the individuals' job description.</p> <p>Do not consider that the role of Risk Champion can be consistent across Directorates. Can't make one approach fit all.</p>	Medium	Response Accepted – No Further Action
Elected Member Champion for Risk Management					
1.8	<p>The Elected Member Champion for Risk Management has not been issued with their documented roles and responsibilities. This was raised by the Strategic Risk Manager at the initial meeting.</p> <p>The documented function of the Elected Member for Risk Management is carried out jointly by the Elected Member and the</p>	<p>The Elected Member Champion for Risk Management should be issued with the 'Role & function of the Elected Member Champion for Risk Management'.</p> <p>Where considered necessary the roles and responsibilities of the Elected Member Champion should be reviewed and revised appropriate to the requirements of the function.</p>	<p>Meeting was held with Councillor Rawlins on the 18th August 2010 and the revised briefing pack issued. The roles and responsibilities included within the briefing pack were discussed and will be carried out by this role.</p> <p>Councillor Rawlins is to be introduced to this role through the Member's Newsletter.</p>	Low	Actioned

	Executive Director (Resources & Protection Groups).				
Risk Champion Network Group					
1.9	<p>Review of minutes of the Risk Champion Network Group and discussions with key officers suggests that the group’s current role does not fully meet the objectives set out within the ‘Role, Representation and Functions’ document.</p> <p>Meetings are attended by approximately 50% of the group members.</p> <p>There are members of the Risk Champion Group who have not attended the last 3 meetings.</p>	<p>The role of the Risk Management Network Group should be reviewed to ensure it is effective in assisting in the integration of risk management across the activities of the Council.</p> <p>Attendance at the Risk Champion Network Group should be monitored and the membership of the group reviewed/amended where considered necessary.</p>	<p>The role of the Risk Management Network Group has been reviewed and actions taken to integrate Directorate Risk Champions into the Corporate Risk and Safety Group structure.</p> <p>The Corporate Risk and Safety Steering Group agreed the proposal to integrate the work of the service Risk Champions within the roles and functions of the Directorate Risk and Safety Groups so that these forums consider ‘whole’ risk management and not just Health and Safety risk matters.</p> <p>It is envisaged that the Champions Network will continue to meet (albeit less frequently) but that its focus will be more about providing peer support and coaching to help develop the core Risk Management competencies and skills of the Champions.</p> <p>Attendance will be monitored.</p>	Medium	Actioned

Risk	Failure to adequately manage risks.
Current Risk Level	Medium
Target Risk Level	Low

2.1	<p>Meetings held with Heads of Service have confirmed there is an inconsistent approach to the identification and management of risks:</p> <ul style="list-style-type: none"> ▪ ‘...heavy reliance on the Risk Management Team...’ ▪ ‘... built into our every day role and conscious of risk in all decisions...’ <p>Whilst some managers welcome the process and are proactive in the management of risk, others see this as an ‘add on’ to their role and, in some cases, continue to rely heavily on the Risk Management Team.</p>	<p>Services should take a more proactive role in the identification and management of risks.</p> <p>Whilst support from the Risk Management Team is available, Services should be reminded that the ownership for the identification and management of risks lies with the Services and should be applied through the use of the available tools and techniques and the support of their Directorate Risk Champion.</p>	<p>Agreed. Will be reinforced through the Risk Appetite workshops.</p> <p>Reinforced through the review of the Risk Management Strategy.</p> <p>Role out of the risk management training will also reinforce this message</p>	Medium	<p>Sarah Tennant February 2011 onwards.</p> <p>Sarah Tennant 31st March 2011</p> <p>Sarah Tennant From June 2011 onwards.</p>
2.2	<p>There are Heads of Service who were not aware of the Risk Management Training available.</p>	<p>Key managers/ officers within the Council should be made aware of the availability of Risk Management training.</p>	<p>This is on George under Learning & Development. RM training (classroom based) will be promoted through e-mail bulletins.</p> <p>In addition e-learning training has not yet been available. This will be also promoted through e-</p>	Low	<p>Sarah Tennant From June 2011 onwards.</p>

			mail bulletins.		
2.3	<p>Reliance has been placed on Services and Directorates to have effective arrangements in place for the management of risks; the current guidance and strategy outlines the approach to achieving this.</p> <p>A key product in the process has previously been the Risk Register, showing a documentary record of each risk, its owner, the key controls and the status of any planned actions.</p> <p>A sample of 15 Risk Registers has been reviewed.</p> <p>Not all Registers were made available at the time of the audit. Copies, where held, were obtained from the Risk Management Team and used as the basis for testing.</p> <p>The following was noted:</p> <ul style="list-style-type: none"> ▪ 3 registers where Risk Owners had not been identified; ▪ 2 registers where not all risks had associated new/ developing controls; ▪ 3 registers where start and end dates had not been 	<p>Risks should be effectively managed throughout the authority.</p> <p>The revised role of the Directorate Risk Champion and their strengthened relationship with the Directorate Management Teams should provide an effective and robust mechanism for managing risks at a Directorate Level.</p> <p>The need to document all risks at a Service level should be considered in light of the draft Risk and Safety Governance Structure; revised strategy and associated toolkit and the guidance on the escalation of risk.</p> <p>The accountability for risks, whether documented or not, should be made clear to Services and Directorates.</p>	<p>The risk team will work with the Council to understand what they require in terms of physical recording of risk.</p> <p>The process has to fit in with the new operational strategy which wants a culture of trust and accountability for individuals.</p> <p>We need to explore how to move forward with the strategy.</p> <p>We have arranged a meeting in December with the Chief Executive and the Monitoring Officer to start discussions around the Councils risk appetite. This will influence how the strategy is written and what the requirements on services will be.</p>	Medium	<p>Sarah Tennant</p> <p>June 2011</p>

	<p>documented;</p> <ul style="list-style-type: none"> ▪ 2 registers where review dates had not been noted. <p>The current process is not fully effective in that it cannot be confirmed that all Services/Directorates have considered and fully documented their risks and are managing those risks effectively.</p>				
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Risk	Failure to introduce adequate risk management processes for specific projects and partnership working.
Current Risk Level	Medium
Target Risk Level	Low

3.1	<p>The responsibility and processes followed in terms of risk management for partnerships / projects are outlined within the 'Project Risk Management Guide & Toolkit' and 'Partnership Guidance' documents.</p> <p>Risk registers have been reviewed, and discussions held with key officers, in respect of the Mouchel and CfBT strategic partnership arrangements.</p> <p>The risk register for the Mouchel Strategic Partnership is dated 2008. The format of the register</p>	<p>Partnership/Project Management processes should ensure sufficient emphasis is put on ensuring effective risk management processes are in operation and up to date risk registers are in place.</p>	<p>Strategic Risk Management contributed to the toolkit and guide with their view on what should be included on risk.</p> <p>Compliance and application sits outside of strategic risk management.</p> <p>However the team is making connections with partnerships and projects to provide advice.</p> <p>The programme centre are putting the information hub in place this will hold the information on projects. Whilst it</p>	Medium	<p>Sarah Tennant</p> <p>End March 2011</p>
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	<p>is not in line with the Partnership Guidance document and does not provide sufficient detail; i.e. Risk Owners, New/Developing Controls, Review Dates, etc.</p> <p>A copy of the CfBT risk register was obtained during the course of the audit. Whilst the register was updated and transferred to the template in May 2009, it has not been fully completed to include Risk Owners, New/Developing Controls, Review Dates, etc.</p>		<p>is not the responsibility of strategic risk to monitor implementation, there will be some follow up through the Corporate Risk Register to gain assurance on how the programme/project process is working.</p>		
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