



Wyre Council - Audit and Risk Management

**Chorley and South Ribble's
Risk Management Arrangements**

Audit Opinion:

Reasonable

Audit Scope Agreed	10/04/24
Draft Report Issued	24/04/24
Final Report Issued	10/5/24

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Report Distribution

This report has been issued to:

- ◆ Chief Executive
- ◆ Director of Governance
- ◆ Head of Audit and Risk.
- ◆ Members of the Governance Committee
- ◆ External Audit

The co-operation of management and staff in providing assistance during the audit is gratefully acknowledged.

1. Introduction

- 1.1 In accordance with the audit plan for 2023/24 a peer review arrangement between Preston City Council, Chorley and South Ribble Borough Council and Wyre Borough Council was agreed. Under this arrangement, Wyre Borough Council have undertaken a review of Chorley and South Ribble's systems and procedures for managing risk management.

2. Objectives and scope of our work

- 2.1 The audit sought to provide assurance that the system objectives, risks and controls as agreed and set out in the Risk and Control Evaluation (RACE) document (at appendix A) are being effectively managed.
- 2.2 Testing has been carried out where appropriate to provide assurance that the service has adequate controls in place to effectively manage the agreed risks and control objectives.

3. Overall Audit Opinion and Action Planning

- 3.1 The overall opinion of the auditor is that the controls in place to manage Risk Management are 'Reasonable'. This means that 'There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited'.

Risks Examined	Substantial	Reasonable	Limited	Minimal
Failure to adopt a formal risk management strategy.		✓		
Failure to comply with the Local Code of Governance on risk management	✓			
Failure to identify, evaluate and respond to risks in all activities (strategic/ operational/ partnerships/ projects)		✓		
Risks are not reported to the appropriate senior officers and members.		✓		
Inadequate resourcing of Risk Management activities	✓			
Inadequate training and awareness amongst officers and members resulting in a lack of ownership of risks	✓			
OVERALL AUDIT OPINION		✓		

- 3.2 The definitions of each audit opinion are attached at Appendix C.
- 3.3 As this review has received a 'Reasonable' assurance this piece of work will not require any formal follow-up, however the action owners will be required to provide an update on the GRACE system regarding the progress of any agreed actions resulting from this piece of work.
- 3.4 Areas have been identified where improvements could be made to strengthen the control environment. Details of these findings and the agreed actions are detailed in Appendix B.
- 3.5 We have assigned priority rankings to reflect the level of risk facing the Council if the issues are not addressed. In summary the recommendations fall into the following risk categories;

Priority Ranking	Number
Level 1	0
Level 2	3
Level 3	3
Level 4	0
Total	6

- 3.6 A definition of the priority rankings can be found at Appendix D.

4. Disclaimer

- 4.1 The matters arising in this report are only those that came to our attention during the course of the audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. The responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses.
- 4.2 We have prepared this report solely for the use of Chorley and South Ribble Borough Councils and it would not therefore be appropriate for it or extracts from it to be made available to third parties other than the external auditors without the permission from Internal Audit or S151.

5. Section 151 Officer Assurance

- 5.1 There were no issues arising from this review that needed to be brought to the attention of the Section 151 Officer which may have a significant bearing on the annual audit opinion which forms part of the annual governance statement.

Risk and Control Evaluation (RACE) Document

Risk and Controls	Control Evaluation
Risk 1 - Failure to adopt a formal risk management strategy.	
Risk Management Strategy (RM Strategy) approved by members.	Working as intended
RM Strategy is evaluated / challenged by senior managers.	Working as intended
RM Strategy is regularly reviewed and updated.	Finding 1
Risk 2 - Failure to comply with the Local Code of Governance on risk management.	
The review of RM arrangements is included within the Annual Governance Statement (AGS) which is appropriately approved by members.	Working as intended
External Audit review the AGS on an annual basis.	Working as intended
The results of the AGS and action plans are reported to both senior managers and members.	Working as intended
The Head of Audit and Risk provides an annual opinion on governance, risk management and internal control.	Working as intended
Local Code of Governance sets out RM arrangements and is appropriately approved.	Working as intended
Service Assurance Statement includes questions regarding service compliance with the RM Strategy.	Working as intended
Risk 3 – Failure to identify, evaluate and respond to risks in all activities (strategic/ operational/ partnerships/ projects).	
The RM Strategy contains a risk scoring matrix identifying likelihood and impact of inherent and residual risks.	Finding 2
Consideration is given to existing control measures for each risk.	Working as intended
The use of GRACE ensures that risks are appropriately and consistently considered and evaluated.	Working as intended
The RM Strategy requires risk assessment at all levels.	Working as intended
Committee report templates require a risk assessment of decisions.	Working as intended
GRACE has separate folders for differing types of Risks - Strategic / Corporate Strategy projects / other projects / procurements / operational risks.	Working as intended
All employees undertake mandatory training on risk management and are aware it is part of their role.	Working as intended
Governance Essentials training is provided for all senior officers to allow them to understand their responsibilities in assessing risks.	Working as intended
Directors are responsible for managing risks within their departments - clearly specified within the RM Strategy.	Finding 3
There is a RM team staffed by qualified individuals with a ring-fenced budget that is reviewed and approved on an annual basis.	Working as intended
Owners are assigned to all risks as editors to the individual risk registers e.g. operational managers / project managers / procurement managers.	Finding 4 & 5
The authority has a RM Strategy which is appropriately approved.	Working as intended
Senior managers acting as the Corporate Governance Group monitor the use of GRACE and the embeddedness of risk management.	Working as intended
RM is a standard item on the monthly DMT agenda template.	Working as intended
Existing control measures recorded in GRACE.	Working as intended

Risk and Controls	Control Evaluation
Risk 4 – Risks are not reported to the appropriate senior officers and members.	
Risk owners continuously monitor risks and risk levels e.g. red risks are reviewed in accordance with GRACE parameters.	Finding 6
Risk reports are run at Directorate Management Teams.	Finding 6
There is a risk management team staffed by qualified individuals with a ring-fenced budget that is reviewed and approved on an annual basis.	Working as intended
Corporate Governance Group receive reports regarding RM. These are escalated to SLT if required.	Working as intended
Reports are compiled and run on a monthly basis for overdue risk reviews and overdue agreed audit management actions.	Finding 6
Strategic risk register reviewed by senior management team.	Working as intended
Strategic risk registers presented and approved by members - Governance Committee.	Working as intended
Risk 5 – Inadequate resourcing of Risk Management activities.	
Formalised RM function within the Audit and Risk Service.	Working as intended
There is a RM team staffed by qualified individuals with a ring-fenced budget that is reviewed and approved on an annual basis.	Working as intended
Risk 6 - Inadequate training and awareness amongst officers and members resulting in a lack of ownership of risks.	
Extensive officer training on the use of GRACE and RM is available in person and on the Learning Hub.	Working as intended
Joint training on RM and the use of GRACE was delivered to members during September 2021.	Working as intended
Mandatory E- Learning module on authority wide Learning Hub.	Working as intended
Corporate Health dashboard / Reports to SLT on a monthly basis to raise awareness of mandatory training rates including risk management.	Working as intended
Training is delivered to all employees unable to access e-learning (PowerPoint).	Working as intended
Governance Essentials training is delivered to all Heads of Service including RM.	Working as intended
Roles and responsibilities are clearly laid out in the RM Strategy.	Working as intended
Owners are assigned to all risks as editors to the individual risk registers e.g. operational managers / project managers / procurement managers.	See Finding 4 & 5

Management Action Plan				
Finding No.	Finding	Agreed Action	Priority	Responsible Officer & Target Implementation Date
1	<p>CBC – RM Strategy last reviewed April 2021 and then most recently in December 2023 following an agreed action in the AGS.</p> <p>SRBC – RM Strategy last reviewed March 2021 and then most recently in November 2023 following an agreed action in the AGS.</p> <p>The RM Strategy is not considered regularly reviewed as it is reviewed approximately every 3 years. This could mean that some Members on the Governance Committee may only get to review the strategy once in their term on the committee. CIPFA guidance states that the Audit Committee should oversee the RM strategy and its implementation in practice and if this is only being reviewed every 3 years, awareness will reduce.</p>	Consider reviewing the Risk Management Strategy annually.	3	<p>Dawn Highton – Head of Audit and Risk</p> <p>January 2025 and then annually</p>
2	<p>The RM Strategy contains a risk scoring matrix to assist risk owners with scoring risks in terms of likelihood and impact. Both council’s use the same 4 by 4 matrix.</p> <p>The terminology used within this matrix is open to interpretation as there is little difference between some of the levels of likelihood and impact e.g. Impact levels – Major and Serious and Likelihood levels – Rarely and Unlikely.</p>	Consider simplifying the scoring matrix to make it clearer / less ambiguous to users.	3	Action not accepted. Amending the scoring matrix would have a significant impact on every risk register.

Management Action Plan				
Finding No.	Finding	Agreed Action	Priority	Responsible Officer & Target Implementation Date
3	<p>It was confirmed that risk does not directly form part of the employee appraisal process and is therefore not formally being reviewed by management as part of 1-2-1 meetings.</p> <p>To strengthen this process consideration should be given to adding risk to appraisal documentation to ensure coverage.</p>	Discussion / challenge around risk to become part of the 121-employee appraisal process and standardised risk reports to be produced to assist the process.	3	<p>Action not accepted.</p> <p>Risk management is standard item at DMTs group discussions. It is felt that these arrangements mitigate the risk.</p>
4	The strategic risk registers for both councils as well as a number of individual risk registers were examined and found that risk owners were not always set as risk editors and therefore risk owners would have not been able to edit risks for which they were responsible. Ensure all risk owners are set as risk editors within the individual risk registers so that they are able to review and update risks for which they are responsible.	All risk owners will be set as risk editors within the individual risk registers so that they are able to review and update risks for which they are responsible.	2	<p>Dawn Highton</p> <p>August 2024</p>
5	A review of the operational risk registers identified that Directors have not been included as Editors on all the registers within their directorate. As such, they may not be fully aware of all risks under their control.	Directors will be set as editors within all registers under their directorate so that they can monitor their directorates completion of risk reviews and action.	2	<p>Action not accepted.</p> <p>Directors are included on the risk registers as risk mangers. This was a conscious decision taken to allow Directors to view registers within their Directorate but not receive the" alerter" emails.</p>

Management Action Plan				
Finding No.	Finding	Agreed Action	Priority	Responsible Officer & Target Implementation Date
6	<p>Despite receiving regular reminders and monthly reports it would appear that risk reviews and action plan updates are not being regularly carried out in the GRACE system for all risks.</p> <p>As at 18/04/24 there were 196 overdue risk reviews (includes both authorities and both leisure companies) and 262 overdue actions (includes both audit actions and GRACE actions).</p> <p>Further testing found that there were a number of overdue risk reviews dating back to January 2018 and overdue actions dating back to August 2017.</p>	<p>A review of risks be carried out with a view to closing down individual risks and / or risk full registers in GRACE where required.</p> <p>Slippages in risk reviews / non implementation of actions that are escalated to Directors are appropriately challenged and actioned.</p>	2	<p>Dawn Highton</p> <p>August 2024</p>

AUDIT OPINION DEFINITIONS

Substantial Assurance	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Minimal / No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

PRIORITY RANKINGS

PRIORITY	DEFINITION	TIMING
Level 1	Non-compliance with Financial Regulations and Financial Procedures Rules, Employees Code of Conduct, staff instructions etc, which could have a <u>material effect</u> on the Council’s finances. Or, A lack of or serious weakness in key control(s) which may impact on the Council’s finances or operational performance.	Immediate Action Required
Level 2	Non-compliance with Financial Regulations and Financial Procedures Rules, Employees Code of Conduct, staff instructions etc, which have a <u>minor effect</u> on the Councils finances or operational performance.	Within 3 months
Level 3	A lack of, or weakness in an internal control which does not pose an immediate high level of risk, but if left unresolved could expose the Council to financial losses or reduce operational performance.	Within 6 months
Level 4	Suggestions for improvement of internal controls of a minor nature and / or efficiencies in service delivery.	At next Audit review