Risk Management 14/15

City of York Council

Internal Audit Memo

1.0 Introduction and scope

1.1 Embedded and effective risk management arrangements are key to help deliver effective decision making.

1.2 In 2013 Zurich Municipal undertook a whole risk diagnostic to look at the council's risk management approach. Following this diagnostic a risk management work plan was put in place which included refreshing the risk register to ensure that it reflects the risk profile within the council and engaging managers with risk management through sessions facilitated by Zurich.

1.3 This work is ongoing and further work is planned in 2015 including refreshing the council's risk management strategy and policy.

1.4 As Internal Audit, we have specific responsibilities in respect of Risk Management. The Public Sector Internal Audit Standards (PSIAS) state 'The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes'.

1.5 Given the ongoing work on risk management the purpose of this audit was to provide assurance to management that the following actions implemented as a result of the Zurich diagnostic are effective:

- The refreshed key corporate and directorate risk registers;
- Risk management refresher training and identification with Directorate Management Teams (DMTs).

1.6 A review of the risk management policy and strategy was planned however this work will now take place in the 2015/16 audit.

1.7 This audit considered the above actions within the expectations of the PSIAS that determining whether risk management processes are effective is a judgment resulting from the internal auditor's assessment that:

- Organisational objectives support and align with the organisation's mission;
- Significant risks are identified and assessed;
- Appropriate risk responses are selected that align risks with the organisation's risk appetite;
  and
- Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.

2.0 Findings

2.1 The audit reviewed the refreshed key corporate risks. There have been significant improvements in this risk register which now includes; gross and net risk rating, controls with owners and a measurable action plan. This risk register provides more information and will enable greater monitoring and scrutiny of risk management.

2.2 There have been delays in the publication of the directorate risk registers. This has highlighted that there is still a need to reach consensus within the organisation over how risks are articulated and what the expected outcomes from risk management are. There is a need to further embed risk language to ensure that risks can be written in a consistent and clear manner and that there is a shared understanding of the definitions used to express impact and likelihood.

2.3   The refresher training provided to Directorate Management Teams was a helpful step in refreshing risk management across the organisation, providing a useful forum to narrow down key risks as well as frequently affirming the appropriateness of risks that have already been identified. It was apparent however that further steps are required to continue to embed risk management.

2.4   Although there are directorate risk registers in place there are only a limited number of service level risk registers and many of these have not been refreshed in some time. The council's approach to risk management needs to be expanded to include the services and enable a bottom up as well as top down approach to risk management.

2.5   The corporate and directorate risk registers are more strategic in nature. As there is not necessarily a consensus yet over how risks are ranked and the importance given to them the focus so far on strategic risks may ignore the significant impact that operational risks could have. While it is not inappropriate for directorate risk registers to be primarily strategic in focus this does mean that where service risk registers are lacking there may be risks that are not documented.

2.6   In order to build on the work done so far the organisation needs to move on from risk identification to looking at controls and putting action plans in place. This may include identifying over controls in order to demonstrate the efficiencies that can be gained from effective risk management. The possibility of integrating risk management arrangements into service planning could be explored so that it becomes part of business as usual.

2.7   Although setting a risk appetite for the organisation as a whole might not be appropriate due to the diverse range of activities undertaken, it may be worthwhile considering risk appetite levels for individual risks and using these target levels as a means of monitoring risks. Looking again at risk appetite levels would ensure that there is not an excess of risk aversion or risk taking in different areas that could prohibit change or expose the council to unnecessary risk.

2.8   Although risks are being assigned to a responsible officer, risk management is currently being treated as separate from other council reporting and therefore there is not complete and active ownership of the risks, controls and actions.

2.9   A number of council reports across a range of areas were reviewed and it was found that the risk section of these reports varied a lot in quality with some containing very little information. Although risks are considered in reports, these are not always clearly conveyed and this demonstrates the differences in language and approach to risk management more generally.

3.0   Conclusions and Recommendations

3.1   A lot of work has been done to refresh risk management across the council and this is reflected in the progress made in developing the risk register and identifying risks at directorate management teams.

3.2   Further work is needed to maintain the momentum created and further embed risk management and ensure that risk management is seen as part of everyday practice and not a separate activity.

3.3   Service level risk registers should be completed as soon as is practicable. In addition, action plans should be put in place for risks which have been assessed as the highest.

3.4   Consideration should be made to applying a consistent approach to the reporting of risks across the council.