



RSM Tenon
Connected for Success

South Kesteven District Council
Risk Management Advisory Review

Internal Audit Report (28.12/13)

March 2013

FINAL

CONTENTS

Section	Page
Executive Summary	1
Action Plan	4

Debrief meeting	16 January 2013	Auditors	Chris Williams, Partner
Draft report issued	14 February 2013		Robert Barnett, Senior Manager
Responses received	28 February 2013		Kelly Waddoups, Senior Auditor Duncan Short, Manager
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This review has been performed using RSM Tenon's bespoke internal audit methodology, **i-RIS**.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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1 EXECUTIVE SUMMARY

1.1 Introduction

An advisory review of Risk Management was undertaken as part of the approved internal audit periodic plan for 2012/13.

The establishment of effective risk management arrangements is a critical success factor in all organisations if they are to achieve their objectives. Effective risk management both aids continuous improvement and, as far as possible, safeguards against loss or failure. The management of risk is central to good corporate governance to ensure that direction and control is established and maintained.

In looking at the objectives and risks as per the scope of this advisory review we looked at a number of areas of risk management activity. These were Corporate, Service and Project / Programme risk management as well as the overall strategy that brings this level of risks together.

The audit was designed to assess the controls in place to manage the following objectives and risks:

Objective	The objective of the audit is to review current risk management arrangements to develop an improvement plan that ensures that the Authority through continuous improvement maintains efficient and effective processes for the identification, assessment, monitoring and reporting of risk.
Risk	The Authority does not have a clear / robust methodology in place for identifying, assessing, prioritising, preventing or containing high priority risks. This may lead to risks not being identified or managed properly.
Risk	The Authority's risk management methodology is not consistently applied across the organisation resulting in a failure to identify and manage new 'exceptional risks' and a failure to monitor those existing 'Business as usual' risks through the accountability statements.

1.2 Conclusion

The Council still demonstrates that it is a risk 'managed' organisation; which has been as a result of adapting its risk management arrangements over the last year to incorporate project and programme risk management. Moving forward the Council has outlined its intention to align risk management more closely with the business planning process which if applied correctly should increase the value the Council receives from its risk management processes and help to achieve the Councils objectives.

The Council has an established process in place for the management of Corporate risks which has been added to, in the past year, through the involvement of the Performance and Programme Management Board (PPMB). It has also been noted that the management of project / programme risks has developed over the last 12 months by the Performance and Programme Management Office (PPMO) with support by the Council's Governance & Risk Officer.

The Councils Service risks are formally updated and reviewed every six months and it has been recommended that this be increased to a quarterly update to align with the frequency that the Corporate risks are updated and therefore ensure that any changes in the Service risk profile of the Council can be considered when reviewing the Corporate risks.

During the review, we also discussed with the officers responsible for risk management some areas within the Council's Risk Management Strategy that could be updated and we understand that these areas have been considered and incorporated as appropriate in the next iteration of the strategy.

A number of recommendations have been made for the Council to consider that support this conclusion. These can be found in Section 2.

1.3 Scope of the review

To review the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion.

Limitations to the scope of the audit:

- We did not seek to identify the risks faced by the organisation.
- The review did not consider the totality of the risks identified.
- The review did not consider whether the risks identified had been scored adequately.
- Testing was completed on a sample basis
- We did not actively seek to detect fraud or error.

It must also be noted that our work does not provide an absolute assurance that material errors, loss or fraud do not exist.

The approach taken for this audit was an advisory review.

1.4 Recommendations Summary

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Corporate Risk	0	0	0
Service Risk	0	2	0
Risk Management Strategy	0	0	0
Total	0	2	0

The recommendations address the risks within the scope of the audit as set out below:

Risk	Priority		
	High	Medium	Low
The Authority does not have a clear/robust methodology in place for identifying, assessing, prioritising, preventing or containing high priority risks. This may lead to risks not being identified or managed properly	0	2	0
The Authority's risk management methodology is not consistently applied across the organisation resulting in a failure to identify and manage new 'exceptional risks' and a failure to monitor those existing 'Business as usual' risks through the accountability statements.	0	0	0
Total	0	2	0

1.5 Additional Feedback

Good Practice Identified During the Audit

Through the audit we identified that the Council has continued to monitor its Corporate and Service risks as part of a formalised process and that changes in the Service risk profile have been reported where appropriate for consideration on the Corporate Risk Register. This demonstrates that the Council has a level of understanding between the relationship between its Corporate and Service risks.

2 ACTION PLAN

The priority of the recommendations made is as follows:

Priority	Description
High	
Medium	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Low	
Suggestion	These are not formal recommendations that impact our overall opinion, but used to highlight a suggestion or idea that management may want to consider.

Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
Service Risk					
1	Service risks should be updated by Managers on a quarterly basis; this will align the review process with the Corporate risk process. The additional quarterly reviews (currently every six months) could be just an update being provided by the manager rather than an update meeting facilitated by the Governance & Risk Officer.	Medium	Y	Service Managers will be asked to update their risks in the quarters between the facilitated meetings.	March 2013 Finance Support Manager (Finance & Risk)
2	The Risk Management Group should: <ul style="list-style-type: none"> review the Service Risk Register on a quarterly basis; this will align the review process with the Corporate risk process; and monitor actions from the Service Risk Register at each meeting. 	Medium	Y	This will be incorporated into future Risk Management Group agenda items.	March 2013 Finance Support Manager (Finance & Risk)