ESSEX FIRE AND RESCUE AUTHORITY

Risk Management

FINAL

Internal Audit Report: 8.16/17

5 April 2017

RSM

CONTENTS

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1   EXECUTIVE SUMMARY

1.1 Background

We have undertaken a review of Essex Fire Authority's Risk Management processes as part of our internal audit plan for 2016/17.

Our audit comprised a high level review of the overall risk management framework, including policies and procedures, key reporting forums, and a detailed review and interviews with the executive leads for a sample of risks from the Strategic Risk Register. We have also followed up on progress with management actions from our previous Risk Management Audit Report dated 1 April 2016.

Responsibility for the risk management process lies with the Risk and Business Continuity Manager, who is supported by two Risk Officers and reports the Director of Finance and Treasurer. The Authority uses JCAD risk software to record and evaluate risks and control activities. Separate registers are maintained for Strategic, Departmental and Project risks.

Last year we issued a partial assurance opinion (amber/red opinion) due to the number of areas identified as requiring improvement. These were in relation to reporting and monitoring of identified risks at the managerial and governance fora, the basic lack of understanding of current and target risk by staff and the absence of a defined risk appetite.

Following the assent of Policing and Crime Act 2017, the Authority has a requirement to increase their collaboration with organisations such as the Police and Crime Commissioners. If these changes result in a change to Governance structures, the Authority will need to consider the actions and how these should be carried forward.

1.2 Conclusion

We have again issued a partial assurance opinion. In a number of areas there was evidence that the Authority is putting processes in place to improve risk management, in terms of staff training on understanding and evaluating risk. However, there are a number of areas of improvement still in progress and not fully embedded, or that are planned and have not been fully implemented in 2016/17; therefore a number of weaknesses remain. These need to be implemented and addressed by management before we can provide a reasonable assurance opinion.

Internal Audit Opinion:
Taking account of the issues identified, the Authority can take partial assurance that the controls to manage this risk are suitably designed and consistently applied.
Action is needed to strengthen the control framework to manage the identified risk(s).
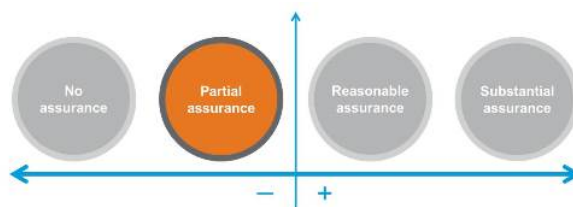
1.3 Key findings

The key findings from this review are as follows:

- We confirmed that the Strategic Risk Register has been presented to the Authority and its Committees for consideration during the 20106/17 period. We confirmed that the Strategic Risk Register presented at each meeting of the three forums reflected the date of the presentation.

- We noted that there were six strategic risks and one strategic opportunity (potential benefits) included in the Strategic Risk Register, owned by five Executive risk owners. The current risk scores were ranging between nine and 20 and the opportunity held a potential benefit rating of six. The review periods for risks and opportunity were two at six months, four at three months and one at one month. We confirmed there were no risks overdue for review and that review periods were appropriate for the current risk scores.

Review of controls

We reviewed and discussed the controls included to mitigate the Strategic Risk for a sample of three strategic risks with the Executive leads. This was in terms of the existence, appropriateness, assessment of effectiveness, assurances in place and actions recorded within the Strategic Risk Register.

We confirmed that the Executive leads clearly understood the risks facing the Service and the controls necessary to mitigate the identified risk.

We found that for existence, appropriateness and assessment of effectiveness:

- There were risk triggers that did not have documented controls in place to mitigate the risk (SRR150001 Fraud, Rates and Government funding);

- A Missing trigger (SRR150005 competency (skill) of staff);

- The sub control details were not included in the Strategic Risk Register and these were not specific or time based; (SRR150001 governance and audit reports, SRR150005 Appraisals, Recruitment advertising SRR150008 Mobile communication plan);

- The assessment of effectiveness of the control measure to address each risk trigger was subjective; it was assessed on the treatment owner's assessment of the percentage completeness of the control measure, which was made up in some cases of a number of sub controls not documented on the Strategic Risk Register. The JCAD system was not consistently updated to show the assurance in place to support each sub controls making up the overall control measure, therefore the assessments were difficult to confirm. For Example SRR150001 was 100% effective but the reporting against the control was in relation to the Treasury Management Policy and there was no reference to the Governance and audit arrangement controls.

- Where there were a number of sub controls, there was no indication of how 100% assessment of effectiveness was in place when not all sub controls were included in the progress report. For example SRR150005 reporting against two sub controls out of a total of ten, and gave a percentage complete of 80%, SRR150001 reporting against one sub control out of a total of two and gave a percentage complete of 100%;

It is important that all triggers are reviewed for completeness and that identified controls and sub controls are reported in the Strategic Risk register to ensure that there are sufficient appropriate controls in place to mitigate the risk.

There is a risk that the Authority does not maximise controls in place and assessment of residual level of risk may not be accurate and that decisions may be made based on incomplete information on the quality of assurances in place. **(Medium)**

We found that for assurances in place and actions recorded:

- The treatment owner did not report consistently each month against all sub controls and did not consistently add the latest date of assurance. Assurance was only provided for controls reviewed in the period, there was assurance included in the report on controls without activity in the review period (SRR150001 Audit reporting, SRR150005 relationship with unions).

- No evidence to support assurances was held on JCAD either for Strategic, Departmental or Project risks; we noted that evidence was available from the Executive leads if requested.

- The function in JCAD for the recording actions to implement controls was not currently in use and was not promoted by the Corporate Risk and Business Continuity team either for Strategic, Departmental or Project risks;

It is important that all assurances in place to confirm that controls are working and to manage risk are clearly stated, indicate the quality of the assurance by stating latest assurance and whether the assurance is positive or negative and that evidence is included on JCAD or a link is provided to the evidence source. The Strategic Risk Register is a stand-alone document that should evidence current status of the Authority's risk that can be clearly understood without detailed knowledge of the Service.

There is a risk the decisions may be made based on out of date assurance, unsupported assurance or incomplete information. **(Medium)**

We noted that the Authority is rolling out the functionality of the JCAD system. The use of recording actions to implement actions in the JCAD system at a Project and Departmental level has been included as a suggestion in section 1.6 below.

JCAD system – linkage of risk

The JCAD system used to manage risk has the functionality to link identified risks; however the Project Departmental and Strategic Risks are not linked within the JCAD system. We understand that the Service Leadership Team is developing a Risk Management Chart to identify linkage between the Authority's objectives and risks. The current lack of linkage of risk in the system impacts on the Authority's oversight and assessment of the underlying risks that drive the Strategic Risk, due to Project and Departmental risks not being assigned to a Strategic Risk; the trigger/ source of risk is independently updated in the Strategic Risk Register.

There is a risk that not all operational risks driving the strategic risk are understood and monitored effectively by the Service Leadership Team which may result in the Authority's treatment not being a coordinated approach and being as timely and effective as anticipated. **(Medium)**

Risk Appetite

We identified that the Authority has not updated its risk appetite statement but confirmed with the Corporate Risk and Business Continuity Manager that the risk appetite has been removed from the Risk Management Strategy pending update by the Service Leadership Team and approval from the Authority for the revised objectives of Programme 2020.

If the risk appetite of the Authority is not established the Authority may not be able to ensure that risk is managed to an acceptable level. **(Medium)**

We have also agreed four low priority actions with management which are detailed in sections 2 and 3 of this report.

We followed up on outstanding management actions from our Risk Management Audit Report dated 1 April 2017 a summary of progress is detailed in section 1.5 and full details are included in section four.

1.4 Additional information to support our conclusion

Risk	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
To ensure that the risks to the achievement of the Authority's objectives are identified and mitigated	0 (8)	8 (8)	4	4	0
Total			**4**	**4**	**0**

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

1.5 Progress made with previous audit findings

Date of previous audit	Low	Medium	High
Number of actions agreed during previous audit	4	5	0
Number of actions implemented/ superseded	3	4	0
Actions not yet fully implemented:	1	1	0

Essex Fire has demonstrated progress in implementing actions agreed to address internal management actions made within the Risk Management Audit Report dated 1 April 2016 report. Of the 5 medium and 4 low priority management actions followed up, we confirmed that three have been implemented in full, four have been superseded and two actions have not yet been implemented. . The management actions that have not yet been implemented relate to:

- Project risk registers being maintained outside of JCAD system (1.3)

- Risk Appetite not in place (1.8)

Full details of progress made against the previous audit findings can be found in section four.

1.6 Additional feedback

Good practice for consideration

Risk appetite

In order to be of practical use, a risk appetite definition should allow the Authority to determine whether a given risk score is acceptable or not. The definition should therefore link more or less directly to the risk scoring system in use. There are a number of ways of doing this, but an example from one of our clients is that maximum residual risk scores ('current' according to the Authority's definition) are determined for different categories of risk such as financial, operational, reputational, and so on. If a risk within one of those categories exceeds the maximum level, further controls or actions are identified to reduce the level of risk.

Suggestions for improvement

Reporting of the Strategic Risk Register

The current reporting of Strategic Risk to Service Leadership Team and the Authority may be improved by including a heat map of risk to show where the risks are placed in relation to one another and any movement in risk from the previous reporting period, we understand that a report of this nature is currently available in JCAD called the Risk Status Report. This report could be included and also be accompanied by a narrative summary on areas of change to focus report readers on key risk issues.

Actions in JCAD

The JCAD system has the functionality to include actions for each control measure identified to mitigate risk. This is currently not used to manage risk. We would suggest that at a departmental and project level this be used to demonstrate how controls will be implemented to mitigate risk and to ensure that actions are delegated to the right staff. The inclusion will allow a more focused and time based approach for staff on the implementation of controls as well as ensuring that ownership at a granular level is well defined.

2 ACTION PLAN

Categorisation of internal audit findings	
Priority	**Definition**
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The table below sets out the actions agreed by management to address the findings:

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
Risk: To ensure that the risks to the achievement of the Authority's objectives are identified and mitigated					
1.1	We reviewed the Risk Management Framework and identified it did not include the Authority's risk appetite, reporting lines for the escalation of risk, and did not include version number, date of approval, delegated authority to approve the framework and scheduled review date.	Low	The Corporate Risk and Business Continuity Manager will ensure that the Risk Management Framework is updated to include all Annexes, and states the version number, date of approval, delegated authority to approve and scheduled review date.	Sept 2017	The Corporate Risk and Business Continuity Manager
1.2	The reporting structure recorded in the Risk Management Strategy was not reflective of current practice and did not include the frequency of review by the Authority and its Committees.	Low	The reporting structure in the Risk Management Strategy will be reviewed once the governance of the Authority is resolved.	Dec 2017	The Corporate Risk and Business Continuity Manager

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
1.4	We reviewed a sample of three strategic risks and discussed the reporting and monitoring of the existence and appropriateness of controls with the Executive leads. We found: • there were risk triggers that did not have documented controls in place to mitigate the risk; and • the sub control details for the control measures were not specific or time based.	Medium	The Executive leads will be asked to confirm on a quarterly basis that they have reviewed their strategic risks, including the existence and appropriateness of controls	September 2017	The Service Leadership Team
1.6	We reviewed a sample of three strategic risks and discussed the reporting and monitoring of assurances and actions recorded for controls with the Executive leads. We found: • Latest assurance dates for sub controls were not consistently reported; • no evidence to support assurance was held on JCAD; • the function in JCAD for the recording actions to implement controls is not currently used.	Medium	The Service Leadership Team will monitor the assurance provided against controls in the Strategic Risk Register on a quarterly basis to ensure that all sub controls and latest date of assurance are included.	September 2017	The Service Leadership Team

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
1.7	The Service Leadership Team is developing a Risk Management Chart to identify linkage between the Authority's objectives and risks. Currently the Project Departmental and Strategic Risks are not linked in the JCAD system.	Medium	The Service Leadership Team will complete the Risk Management Chart detailing linkage of Authority's objective to risks.	June 2017	The Service Leadership Team
1.8	We identified from our review of the JCAD system high and extreme risks that the Risk Management Guidance is not being applied. We found that high and extreme risks were not referred to the Corporate Risk and Business Continuity Manager. We further noted that the Risk Management Guidance does not include the reporting structure for the escalation of high and extreme risks.	Low	The Corporate Risk and Business Continuity Manager will review all Departmental Risks recorded with a score of eight and above for accuracy and refer all overdue risks greater than one month to the Heads of Department.	September 2017	The Corporate Risk and Business Continuity Manager
1.9	**Outstanding Management Action 1.3 from Internal audit report dated 1 April 2016** We confirmed that approximately 30 percent of projects do not record risks associated risk in the JCAD system and are using alternative systems to record risk.	Low	The Risk and Business Continuity Manager will remind Project Managers of their responsibility to use JCAD to record project risks.	June 2017	The Corporate Risk and Business Continuity Manager

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
1.10	**Outstanding Management Action 1.8 from Internal audit report dated 1 April 2016** We identified that there is no risk appetite included in the Risk Management Strategy pending update by the Service Leadership Team and approval from the Authority for the revised objectives of Programme 2020.	Medium	The Authority will review its risk appetite to ensure it can be used to consistently assess whether a given risk level is acceptable or if further action is required. The Risk and Business Continuity Manager will review the link between the risk appetite and risk scoring.	September 2017	The Service Leadership Team Corporate Risk and Business Continuity Manager

3   DETAILED FINDINGS

This report has been prepared by exception. Therefore, we have included in this section, only those risks of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
Risk: To ensure that the risks to the achievement of the Authority's objectives are identified and mitigated						
1.1	Essex Fire Authority has a Risk Management Framework in place, comprising of the following volumes: I. Risk Management Policy, a simple statement of EFA's overall approach to, and components of risk management. II. Risk Management Strategy, a high level definitions of risk and risk management, the overall design of the risk management framework and process, the risk management governance structure, and the roles and responsibilities of key groups. III. Risk Management Guidance, a more detailed process document describing the processes of risk identification, description, assessment, monitoring and review, control and assurance. The Risk Management Strategy and Guidance were refreshed and review by the Strategic Management Board in December 2015.	Yes	No	We confirmed that the Risk Management Framework included a Policy (signed by the Chair EFA and Acting Chief Fire Officer), Strategy and Guidance. We noted there was no version number, date of approval, delegated authority to approve and scheduled review date documented. We identified that the Risk Appetite in Annex D has been removed and has not been replaced pending update. Without clear reporting lines, risks may not be assessed to ensure that they are receiving the correct treatment to manage the risk to an acceptable level. There is the potential for risks to escalate which may result in negative impacts for the Authority	Low	The Corporate Risk and Business Continuity Manager will ensure that the Risk Management Framework is updated to include all Annexes, and states the version number, date of approval, delegated authority to approve and scheduled review date.
1.2	The Policy and Strategy Committee, the Audit, Governance and Review Committees and the Authority receive annual reporting against the Strategic	Yes	No	We confirmed that annual reporting to the Policy and Strategy Committee and the Audit Governance and Review Committee of the Strategic Risk Register had taken place for the 2016/17 period.	Low	The reporting structure in the Risk Management Strategy will be reviewed once the governance of the Authority is

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
	Risk and the Corporate Risk Register at their scheduled meetings.			However we identified that the Policy and Strategy Committee and the Audit Governance and Review Committee were not included in the reporting structure in the Risk Management Strategy, nor did it include the frequency of reporting at each tier of the reporting framework. It is important that the Risk Management Strategy clearly documents the governance structure and reflects current practice.		resolved.
1.4	The Executive leads are responsible for regular monitoring and reporting to the Service Leadership Team against their assigned risks in the Strategic Risk Register. This includes the existence and appropriateness of controls.	Yes	No	We selected three risks from the Strategic Risk Register. We reviewed and discussed the Existence and appropriateness of the sub controls with the Executive Leads for the following Strategic Risks: • SSR150001 • SSR150005 • SSR150008 We found that: • there were risk triggers that did not have documented controls in place to mitigate the risk; − SSR150001 the Executive lead confirmed that there was a controlled element for these triggers, but did not want controls added for minor risk triggers. − SSR150005 the Executive lead identified a missing trigger and controls during our audit interview relating to the competency (skill) of staff. • the sub control details for the control measures were not specific or time based; − SSR150001 the Executive lead felt that group headings	Medium	The Executive leads will be asked to confirm on a quarterly basis that they have reviewed their strategic risks, including the existence and appropriateness of controls.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
				were sufficient information to understand controls given that Service Leadership Team and Members received reporting in other formats, such as finance reports, audit reports etc.. – SSR150005 & SRR150008 the Executive leads felt that including sub controls that were clearly articulated would be of benefit and was an area that could be improved. The Director of Finance and Treasurer informed us that the Service Leadership Team's intention is to peer review each strategic risk periodically at their monthly meetings. It is important that strategic risks are periodically reviewed in depth by the Service Leadership Team to ensure that they are relevant, and that there are sufficient appropriate controls in place to mitigate the risk. There is a risk that the Service does not maximise controls in place and assessment of residual level of risk is not accurate.		
1.5	The Executive leads are responsible for regular monitoring and reporting against their risks in the Strategic Risk Register to the Service Leadership Team. This includes an assessment of the effectiveness of controls.	Yes	No	For the same three risks we reviewed and discussed the effectiveness of controls with the Executive leads. We found that: • The assessment of effectiveness was subjective; it was based on the treatment owner's assessment of % completeness for each sub control within the overall control grouping. For example for SRR150001 was 100% effective but the reporting against the control was in relation to the Treasury Management Policy and there was no reference to the current status of Governance and audit arrangement controls.; and • Where there were a number of sub controls there was no indication of how 100 percent assessment of effectiveness was in place when not all sub controls were included in		Refer to management action 1.4

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
				the progress report. For example SRR150005 reporting against two sub controls out of a total of ten, and gave a percentage complete of 80 percent, SRR150001 reporting against one sub control out of a total of two and gave a percentage complete of 100 percent; – two of the Executive leads felt that reporting against all sub controls and basing the percentage completed on this would be of benefit and was an area that could be improved; – One Executive lead did not see the benefit of reporting the status of controls where there had not been any change, the fact that the treatment control owner had completed the review was sufficient to confirm the percentage completed. It is important that all sub controls are reported and a record of the assessment of completion is maintained in the Strategic Risk register. There is a risk that decisions may be made based on incomplete information on the quality of assurances in place.		
1.6	The Executive lead is responsible for regular monitoring and reporting against their risks in the Strategic Risk Register to the Service Leadership Team which includes monitoring assurances and actions recorded in the register.	Yes	No	For the same three risks we reviewed and discussed the assurances and actions recorded in the JCAD system and the Strategic Risk Register with the Executive lead. We found that: • the treatment owner did not report progress consistently against all sub controls and did not consistently add the latest date of assurance; • Assurance was only provided for those sub controls updated in the period, there was no assurance included in the report on sub controls if there was no change of status	Medium	The Service Leadership Team will monitor the assurance provided against controls in the Strategic Risk Register on a quarterly basis to ensure that all sub controls and latest date of assurance are included.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
				in the review period (SRR150001 Audit reporting, SRR150005 relationship with unions). • no evidence to support assurance was held on JCAD either for Strategic, Departmental or Project risks; – there were mixed views from the Executive leads on the value of the recording of assurances and the storage of evidence in JCAD; one did not see the need for all assurance to be shown with the latest date of assurance. Two Executives could see the value of including the assurance • the function in JCAD for the recording actions to implement controls is not currently used or promoted by the Corporate Risk and Business Continuity team either for Strategic, Departmental or Project risks; – One Executive thought that at a Strategic level actions were too granular and would not be helpful and two Executives had not considered the functionality for recording actions in JCAD It is important that all assurances in place to confirm the effectiveness of controls to manage the risk are clearly stated and identify the quality of the assurance by stating the last date of assurance. There is a risk the decisions may be made based on out of date assurances.		
1.7	The JCAD system has the functionality to add links to related risks maintained in the system. The use of the links allows the Authority	Yes	No	We confirmed that the JCAD has the functionality to provide linkage between the strategic risk, departmental and project risks.	Medium	The Service Leadership Team will complete the Risk Management Chart detailing linkage of Authority's objective

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
	to assess risks from the Project Risks and Departmental Operational Risk Registers which drive the risk triggers for in the Strategic Risk Register. The Authority Risk Management Strategy demonstrates this cascading principal as a design of the framework for managing risk. This is not currently in place. The Director of Operations has been working with the Corporate Risk and Business Continuity team and the Portfolio Management Office in developing a Risk Management Chart which identifies the core objective and the cascading risks.			We noted that this functionality is not currently utilised. We confirmed that the Director of Operations presented a Risk Management Chart which identifies the core objective and the cascading risks to the Service Leadership Team meeting in February 2017. We understand that the Risk Management Chart will be completed in April 2017. It is important that the objectives of the Authority are considered as part of the Risk Management Framework and that the relationship between the objectives, key departmental risks and the strategic risks are identified and understood. By using a systematic approach to identifying the drivers of strategic risk will give the Authority greater assurance that all risks are considered. There is a risk that the Authority does not fully understand risk in terms of their strategic and operational objectives and therefore does not identify and implement effective controls to manage risk.		to risks.
1.8	The JCAD system includes risk for all the Project, Department and Strategic Risk Registers. The Department and Project Risk Registers are reviewed and monitored by the Department Heads. This is in line with the Risk Management Guidance. There are currently no documented procedures in place for the escalation of risk above the Head of Department of the Corporate Risk and Business Continuity Manager.	Yes	No	We obtained a JCAD Scorecard Report which lists all risks 15 and greater in JCAD for Departments. We noted that there were 19 risks scored as follows: • Two at 25 • Four at 20 • Five at 16 • Eight at 15 We confirmed that the Department Risk Registers are reviewed by the Department Heads. We confirmed that high score risks had not been reported to the Corporate Risk and Business Continuity Manager in line with Risk Management Guidance.	Low	The Corporate Risk and Business Continuity Manager will review all Departmental Risks recorded with a score of Eight and above for accuracy and refer all overdue risks greater than one month to the Heads of Department.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
				It is important that high to extreme risk are assessed by the Corporate Risk and Business Continuity Manager to confirm that the rating is appropriate and escalate to the appropriate level of management.		
				We identified that there was a total of 1237 risks in the JCAD system of which 53 were overdue, 14 being greater than one month. We confirmed that these were not in relation to the Strategic Risk Register.		
				Regular review of risk is important as risks may escalate if not monitored and may negatively impact on the Authority.		
1.9	**Outstanding Management Action 1.3 from Internal audit report dated 1 April 2016** The Risk and Business Continuity Manager will assist project managers in maintaining all project risk registers on JCAD.	No	N/A	Project related risks should all be recorded in the JCAD system in line with the Risk Management Framework. Project management is overseen by the Portfolio Management Board and the Programme 2020 Board, who have access to the number and type of active projects. We confirmed with the Head of Programme 2020 that all project risk for Programme 2020 is recorded on JCAD. We confirmed with the Portfolio Management Board that approximately 30 percent of projects are managed outside of the JCAD system. The Portfolio management Board is dependent on reporting from the project owners/managers for status of risks as there is no clear line of sight via JCAD. The Portfolio Management Board identifies the circumnavigation of the JCAD system as part of their oversight role and this is reported monthly to the SLT. It is important that there is clear visibility of risk across the Service at any one point in time so that decisions made are informed on the best possible information. The Risk and Business Continuity Manager does not have access to project detail for those operating outside of the JCAD system.	Low	The Risk and Business Continuity Manager will remind Project Managers of their responsibility to use JCAD to record project risks.

| 1.10 | **Outstanding Management Action 1.8 from Internal audit report dated 1 April 2016** | Yes | No | We confirmed with the Corporate Risk and Business Continuity Manager that the risk appetite has been removed from the Risk Management Strategy pending update by the Service Leadership Team and approval from the Authority for the revised objectives of Programme 2020. | Medium | The Authority will review its risk appetite to ensure it can be used to consistently assess whether a given risk level is acceptable or if further action is required. |
| | The Authority will review its risk appetite to ensure it can be used to consistently assess whether a given risk level is acceptable or if further action is required. The Risk and Business Continuity Manager will review the link between the risk appetite and risk scoring. | | | | | The Risk and Business Continuity Manager will review the link between the risk appetite and risk scoring. |

4   FOLLOW UP ON MANAGEMENT ACTIONS

We have followed up on management actions identified in our Governance Report issued 1 April 2016

Ref	Management Action	Original Date	Original Priority	Audit findings	Current Status	Updated management actions
1.1	The Authority will ensure that the understanding of current and target risks is consistent between all risk owners. The Risk and Business Continuity Manager will remind all risk owners of this.	Completed	Medium	The Risk and Business Continuity staff has held quarterly workshops / surgeries for risk owners. These have been on a one-on-one basis, whereby each risk is reviewed to assess the quality of the information. Training on current and target risk is reinforced as part of this review. We tested a sample of 4 risk owners to assess their understanding of current and target risks • Property • Programme 2020 • Operations and Controls • Performance and Data Management. We found that all staff interviewed had a good understanding of the current and target risks and how to calculate and score a risk in the JCAD system.	Cleared	N/A
1.2 a	The Risk and Business Continuity Manager will remind all risk and control measure owners of the opportunity to store evidence, but to do so is not mandated. Assurances for significant controls will be reported to the SMB. With an upgrade of JCAD imminent, the opportunity will be taken to advise risk owners of new and existing functionality.	Completed	Medium	The Risk and Business Continuity staff held quarterly workshops / surgeries for risk owners. This has included the opportunities within the JCAD system to store evidence. We noted that evidence is not stored on JCAD. We confirmed with the Risk and Business Continuity Manager that the upgrade to the JCAD did not require additional training in respect of functionality. The Senior Management Board and the Senior Delivery Board has been merged to form the Service Leadership Team (SLT) and includes the Executive and the Deputies for each Department.	Superseded	N/A

Ref	Management Action	Original Date	Original Priority	Audit findings	Current Status	Updated management actions
1.2 b	Drop in risk sessions will be used to advise risk and control owners on adequate description of controls.	October 2016	Low	Six drop in risk sessions were held between March and October 2016, we confirmed that no staff attended these sessions. As a result this method of communication has been abandoned.	Cleared	N/A
1.3	The Risk and Business Continuity Manager will assist project managers in maintaining all project risk registers on JCAD.	End September 2016	Low	Refer to management action 1.9 in section two and three.	Not implemented	Refer to management action 1.9 in section two and three.
1.4	The SMB will ensure that it fulfils its remit with respect to risk management by: • Subjecting the Strategic Risk Register to regular review, challenging and scrutinising the risks scores, causes, impacts and identified controls; • Seeking assurances in the form of substantive evidence (reports, policies, management statements, etc.) that identified controls are operating effectively; • Ensuring that action plans are formulated to reduce any unacceptable level of risk, and monitoring the progress of these action plans. A revised management system will come into play in early course. Risk guidance documentation will be revised to take this into account as the SDB layer will no longer exist.	December 2016	Medium	The SMB has been disbanded and replace with the Service Leadership Team (SLT). We reviewed the Terms of Reference for the SLT dated 31 January 2017 version two and identified the remit for risk management was to: Review, monitor and ensure effective management of corporate risk, information security and business continuity arrangements. We reviewed the formal monthly meeting minutes of 21 February 2016 and confirmed that a presentation on development of the Risk Management Framework. There was no specific agenda item for the Strategic Risk Register. We understand that a strategic risk will be scheduled to be reviewed at the SLT meetings.	Superseded Refer to management actions 1.4 and 1.6 in section 2 and 3 above	N/A

Ref	Management Action	Original Date	Original Priority	Audit findings	Current Status	Updated management actions
1.5	This will now sit with a revised Strategic Management Board when new management arrangements come into play.	December 2016	Low	The duties of the Strategic Management Board have been transferred to the Service Leadership Team.	Superseded	N/A
1.6	The Policy and Strategy Committee will fulfil its remit with respect to setting and determining the risk management policy and strategy of the Authority, and discussion around the latter will be fully demonstrated within the group's meeting minutes. The Committee will play an active role in setting and determining policy and strategy.	December 2016	Medium	We confirmed from the Policy and Strategy Committee meeting dated 2 November 2016 that the Strategic Risk Register and accompanying report was presented by the Director of Finance and Treasurer. The Committee made some valid comments about the Strategic Risk Register but in the meeting 11 January 2017 it expressed that their view that they did not possess the relevant background experience to complete a detailed review of the risks. Explanation was given that the risk register would be reviewed by the Audit Governance and Review Committee and implied a better level of understanding. It was also suggested that training for members would be an option after the May 2017 elections if needed. We reviewed the Audit Governance and Review Committee meeting minutes 18 January 2017 and confirmed from its Terms of Reference that its remit is to review processes in place to deliver effective corporate governance and risk management arrangements. We noted that the same report and risk register was presented as at the Policy and Strategy Committee meeting. We identified that two changes were requested to the risk register. We gained assurance that there was active review by the Audit Review and Governance Committee.	Cleared	N/A
1.7	The Risk and Business Continuity Manager will review the reports being produced by JCAD and presented to the Authority, to ensure they are reporting	December 2016	Low	We reviewed the Report used to generate the Corporate Risk Register. The Control Measure Detail section that is included in the report, is the Progress update given by the Treatment	Implemented	N/A

Ref	Management Action	Original Date	Original Priority	Audit findings	Current Status	Updated management actions
	complete information around control measures.			control owner. The progress updates makes reference to changes occurring during the period of review.		
1.8	The Authority will review its risk appetite to ensure it can be used to consistently assess whether a given risk level is acceptable or if further action is required. The Risk and Business Continuity Manager will review the link between the risk appetite and risk scoring.	September 2016	Medium	Refer to management action 1.10 in section two and three.	Not Implemented	Refer to management action 1.10 in section two and three.

APPENDIX A: SCOPE

Scope of the review

To evaluate 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. The scope was planned to provide assurance on the controls and mitigations in place relating to the following risks:

Objective of the risk under review
To ensure that the risks to the achievement of the Authority's objectives are identified and mitigated

When planning the audit, the following areas for consideration and limitations were agreed:

Areas for consideration:

- We reviewed the adequacy of the risk management processes at providing assurances to the Authority in a timely manner to assure them over the management of their key risks.

- We selected a sample of key risks and through review of the supporting documentation and discussion with the risk lead, comment on the existence and appropriateness of the controls, assessments, assurances and actions recorded within the risk register.

- In addition, we followed up the management actions previously agreed to assess progress made.

Limitations to the scope of the audit assignment:

- This review does not comment on whether individual risks are appropriately managed, or whether the organisation has identified all of the risks and opportunities facing it.

- We did not conduct any testing to verify the outcome of any assurances received.

- We did not endorse a particular means of risk management.

- It remains the responsibility of the Authority and senior management to agree and manage their information needs and to determine what works most effectively for the organisation.

- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

APPENDIX B: FURTHER INFORMATION

Persons interviewed during the audit:

- Charles Thomas   Corporate Risk and Business Continuity Manager

- Helen O'Sullivan   Risk and Business Continuity Support Officer

- Steve Brant   Risk and Business Continuity Support Officer

- Mike Clayton   Director of Finance and Treasurer

- Mark Stagg   Director of Transformation

- Dave Bill   Director of Operations

- Ben Pilkington   Assistant Director of Programme 2020

- Tracey King   Assistant Director of Performance and Data Management

- Matt Furber   Assistant Director of Prevention, Protection and Response Delivery

- Jon Doherty   Property Services Manager

FOR FURTHER INFORMATION CONTACT

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