

Internal Audit – Final Management Report

Application of the Risk Management Framework in Community and Children's Services (DCCS)

Prepared by: Esther Oroge

Issue Date: 24th September 2024

Assurance Rating: Limited



Executive Summary

Background, Scope and Approach

This audit forms part of a rolling programme of departmental risk management reviews, with the Chief Strategy Officer as sponsor. The overall objective of each assignment is to evaluate departmental application of the City's Risk Management Framework, providing assurance in respect of:

- Departmental conformance with corporate expectations i.e. the components of the risk management framework, supporting a consistent approach to identifying, mitigating and managing risks.
- Effectiveness of departmental arrangements for risk administration, including the extent to which 'risk champions' are deployed to support a strong risk culture.
- Departmental facilitation of effective risk management governance and oversight, including the quality of risk-related reporting to senior management and Members.
- The extent to which departmental risk management arrangements ensure linkage with the delivery of strategic objectives/priorities in the City's Corporate Plan and departmental Business Plans.

Internal Audit has also considered the effectiveness of departmental activities to support collaborative risk management and sharing of key intelligence to relevant parties.

The audit approach has comprised a combination of desktop reviews of risk information on Ideagen and discussions with relevant officers, focusing on i) the design of departmental risk management arrangements and ii) application in practice.

Conclusion

Overall, limited assurance is provided in respect of the areas within the scope of audit – in particular, departmental application of the City's Risk Management Framework, including the maintenance and management of risk registers, and the sufficiency of reporting to Members to facilitate effective risk management oversight. Key findings include the following:

Inconsistencies were noted in application of the risk management framework through reviews of risk register content and associated information within Ideagen and characterised by variations in articulation of risks and interpretations of key information fields within Ideagen.

Internal Audit observed that there was significant reliance on Business Support Managers (Ideagen risk administrators) to ensure the accuracy and completeness of information contained within risk registers, rather than the subject matter experts who own the risks and are responsible for the delivery of mitigating actions - compromising effective deployment of risk champions.

The department has not met Risk Management Policy expectations in terms of regular, at least quarterly, reporting of risk registers to Committee; there was a local lack of awareness of this requirement prior to the audit and therefore no specific reporting in this respect.

Key departmental risks were broadly reflected in business plans indicating linkage between risk registers and departmental strategic priorities. Arrangements to support collaborative risk management and share key intelligence were observed to be less mature. Internal audit is aware that there is improvement work underway corporately via the Corporate Strategy team to further develop these areas.

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(i) Design of Departmental Approach to Risk Management


Area of Focus: Internal Audit assessed the design of existing processes established by the department to manage its risks, focusing on roles and responsibilities for the maintenance and management of risk registers and reporting of risks at committee level through discussion with relevant staff (primarily business support managers who are responsible for the ongoing maintenance and administration of the department's risk register).

Audit findings in respect of the design of processes associated with the maintenance of DCCS Risk Registers has highlighted a need to enhance processes to ensure compliance with corporate risk management policy requirements and strengthen the effectiveness of risk registers.

The review identified that there was significant reliance on Business Support Managers (risk administrators on Ideagen) to ensure the completeness and accuracy of risks contained within the risk register; this includes articulation of risk descriptions, identification and allocation of risk owners and validating the adequacy of potential emerging risks presented by DCCS colleagues to determine whether they are appropriate for the risk register. Whilst business support managers are knowledgeable about departmental workstreams, they are not risk subject matter experts and may not be best placed to make key decisions about the types of risks that are appropriate for the risk register or to describe the cause and impact of risks. A high priority recommendation has been made to address this (Recommendation 1).

Risk registers are regularly reported at Departmental Leadership Team (DLT) meetings but there is no such reporting to Members; this does not align with the Risk Management Policy which requires at least quarterly reporting to Committee. Internal Audit have raised this with the Director of DCCS who has undertaken to ensure that the required reporting takes place going forward; a high priority recommendation has been raised in support of this (Recommendation 2).

Ref	Issue	Risk	Recommendation	Priority
1	There is an over-reliance on Business Support Managers to ensure the accuracy and completeness of risks contained within the departmental risk register.	The effectiveness of departmental risk management may be undermined by inappropriate allocation of roles and responsibilities.	Roles and responsibilities within the department in respect of risk management administration and determination of risks for inclusion within the risk register should be reviewed for appropriateness, ensuring that assigned staff are well-placed to fulfil these.	High

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Ref	Issue	Risk	Recommendation	Priority
2	<p>Risk Management Policy requirements for reporting of risk registers to Committee have not been met.</p> <p>At the time of audit fieldwork there was a local lack of awareness of the requirement for at least quarterly reporting to Committee.</p>	The effectiveness of risk management (departmental and organisational) may be undermined by ineffective oversight.	Actions should be formulated to ensure departmental adherence to risk management reporting requirements as set out in the corporate Policy.	High

(ii) Application of Departmental Risk Management Arrangements

Area of Focus: *Internal Audit evaluation of the proactive maintenance and management of DCCS risk registers, broadly focusing on five key criteria:*

- *The effectiveness of administration arrangements*
- *Conformance with expectations and quality standards*
- *Facilitation of governance and oversight (including reporting to Committee but not Committee handling)*
- *The extent to which risk management is linked to delivering strategic objectives/priorities*
- *The effectiveness of arrangements for collaboration/breaking silos and sharing key intelligence*

Live DCCS risk information was extracted from Ideagen in July 2024. At the time of the review there were 12 ‘live’ risks recorded (see Appendix 1 for details). Internal Audit examination of risk management activities included desktop reviews of risk information on Ideagen and discussion with relevant staff (primarily risk administrators), and highlighted shortcomings in the systematic application of the risk management framework across the five key criteria considered.

We are unable to provide assurance over the accuracy of mitigating action updates as evidence of progress on individual actions was not readily available prior to audit fieldwork end stage.

Detailed findings are set out below under the five criteria and an overarching high priority recommendation has been made for these to be taken into account in further developing and embedding the risk management approach within the department (Recommendation 3).

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Observations from Internal Audit Assurance Work – <u>Effectiveness of Administrative Arrangements</u> (Y = full compliance / no issues noted, N = issues noted)	Internal Audit Assessment	Internal Audit Comments
All key information fields are populated within individual risk registers (i.e. target dates, risk/action owners etc.)	N	Issues noted in 10 out of 12 (83%) risks reviewed
Risk approach is stated (e.g. reduce, accept) and consistent with the register content	N	Issues noted in 4 out of 12 (33%) risks reviewed
Target risk score is provided where appropriate	Y	No issues identified
Target date is provided where appropriate	N	Issues noted in 4 out of 12 (33%) risks reviewed
Frequency of risk review, as reflected in Ideagen, is in line with corporate expectations	N	Issues noted in 9 out of 12 (75%) risks reviewed
There is clear and consistent approach to articulation of risks	N	Issues noted in 4 out of 12 (33%) risks reviewed
Risk registers are updated where overall target dates or mitigation due dates are missed	N	Issues noted in 2 out of 12 (17%) risks reviewed

Observations from Internal Audit Assurance Work – <u>Conformance with Quality Standards</u> (Y = full compliance / no issues noted, N = issues noted)	Internal Audit Assessment	Internal Audit Comments
Risk registers contain clear and specific mitigation actions which are linked to the risks.	N	Issues noted in 3 out of 12 (58%) risks reviewed
Mitigating actions appear effective in seeking to achieve the target risk rating and score by the target due date	N	Issues noted in 5 out of 12 (58%) risks reviewed

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Observations from Internal Audit Assurance Work – <u>Conformance with Quality Standards</u> (Y = full compliance / no issues noted, N = issues noted)	Internal Audit Assessment	Internal Audit Comments
Progress in delivering individual mitigation actions is adequately explained, making clear what incremental progress there has been, which elements are outstanding, and this is reflected in progress score assessments on Ideagen	N	Issues noted in 6 out of 12 (50%) risks reviewed
Movement in risk scores is adequately explained within the corresponding risk update	N/A	No movement in risk score observed within the period

Observations from Internal Audit Assurance Work – <u>Governance and Oversight</u> (Y = full compliance / no issues noted, N = issues noted)	Internal Audit Assessment	Internal Audit Comments
Risk registers are reported regularly to Committee, in line with Policy expectations	N	No risk register reporting in place
There is evidence of some visibility of risk information / linked mitigating actions at Committee level <i>[Whilst there is no formal reporting of risk registers at Committee level, relevant Committee packs were reviewed during the audit to form an opinion on whether there was any visibility / discussion about individual risks or linked mitigating actions at committee level.]</i>	N	Issues noted in 4 out of 12 (33%) risks reviewed
There is evidence of that risk registers are reported regularly to Senior Management e.g. Departmental Leadership Team	Y	Evidence of reporting provided

Observations from Internal Audit Assurance Work – <u>Linkage to Strategic Objectives</u> (Y = full compliance / no issues noted, N = issues noted)	Internal Audit Assessment	Internal Audit Comments
Key risks linked to the department are broadly reflected in departmental business plans	Y	Key risks visible in business plan

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Observations from Internal Audit Assurance Work – <u>Linkage to Strategic Objectives</u> (Y = full compliance / no issues noted, N = issues noted)	Internal Audit Assessment	Internal Audit Comments
There is clear linkage between the risk register and achieving corporate plan outcomes	N	Thematic issues identified. Internal audit is aware that this area is less mature corporately and improvement work is underway via the Corporate Strategy team to develop this area.

Observations from Internal Audit Assurance Work – <u>Collaboration Arrangements</u> (Y = full compliance / no issues noted, N = issues noted)	Internal Audit Assessment	Internal Audit Comments
Sufficient opportunities have been identified for risk stakeholders to come together outside of the reporting framework to discuss risk	N	Thematic issues identified. Internal audit is aware that this area is less mature corporately and improvement work is underway via the Corporate Strategy team to develop this area.

Ref	Issue	Risk	Recommendation	Priority
3	Audit analysis of DCCS risk register information has identified thematic weaknesses in the application of risk management and highlighted a need to strengthen the embedding of effective risk management within the department.	The effectiveness of organisational risk management may be undermined by poor / inconsistent practices.	Actions should be formulated to address the detailed Internal Audit findings in respect of risk management and associated root causes.	High

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Recommendation

1. Roles and responsibilities within the department in respect of risk management administration and determination of risks for inclusion within the risk register should be reviewed for appropriateness, ensuring that assigned staff are well-placed to fulfil these.

2. Actions should be formulated to ensure departmental adherence to risk management reporting requirements as set out in the corporate Policy.

Management Response

The identification of risks will rest with Heads of Service and Members of DLT – acknowledging that risks can be identified to them by staff of all levels, Members, service providers and service users. A process of quarterly requests will seek new risks and updates on risks. Urgent risks will be reported immediately. Risks will be provided to the Business Support Manager – enabling a process of clarification, quality assurance and consistency. Departmental risk guidance will ensure that responsibility for risks will be assigned at Head of Service or above. A DCCS risk guidance document will be prepared by the Business Support Managers and presented at the next departmental DLT+ meeting (DLT and all Heads of Service). The Corporate Risk Team will be invited to provide guidance and respond to questions.

Responsible Officer: Simon Cribbens

Implementation Date: 31/03/2025

Committee forward planning will ensure the Risk Register is reported to CCS Grand Committee each quarter. Specific service level risks - housing, homelessness, safeguarding etc – will also be reported to relevant sub committees twice yearly. Quarterly committee reporting will be preceded by presentation of the Risk Register to DLT.

Responsible Officer: Simon Cribbens

Implementation Date: 31/03/2025

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Recommendation

3. Actions should be formulated to address the detailed Internal Audit findings in respect of risk management and associated root causes.

Management Response

A DCCS risk guidance document will be prepared by the Business Support Managers to complement the Corporate Policy and Strategy. It will reflect quarterly reporting of Risk to DLT, and the expectation of quarterly discussion at Senior Management Team meetings. Guidance will set out expectations in terms of evidencing risk mitigation.

Administrative discrepancies identified during the audit will be reviewed and remediated.

Responsible Officers: Lianne Coopey and Rumina Sultana

Implementation Date: 31/12/2024