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Internal Audit Report 2016/2017

Risk Management

*Cherwell District
Council & South
Northamptonshire
Council*

Final

June 2017

pwc

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Distribution list

For action:

Louise Aston, Democratic & Elections Team Leader
Nicola Riley, Shared Community Services Manager
Louise Tustian, Senior Performance & Improvement Officer

For information:

Paul Sutton, Head of Finance and Procurement and Section 151 Officer
Ian Davis, Interim Chief Executive

Executive summary

Report classification



Medium (11 points)

Trend – performance is the same at the prior year



Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	-	-	1	5	0
Operating effectiveness	-	-	-	3	-
Total	-	-	1	8	0

Executive summary



Headlines/summary of findings

Risk management is the process of identifying and mitigating risks to the achievement of the Council's strategic objectives. The Councils have a dedicated Risk Working Group which identifies and discusses risks and approaches to managing them, this is composed of attendees from across the Council's directorates. The Accounts Audit and Risk Committee and Audit Committee have overall responsibility for overseeing risk management, and risks are reported to the Committee regularly.

We performed a review on risk management focusing on how risks are captured, monitored and reported. We looked at 2 shared risks from the council's corporate risk register:

- C16: Inability to download new voter registrations (Shared)
- Co8: Safeguarding children (Shared)
- The ICT loss of systems is now covered as part of the separate Cyber and BCM reviews and not in this review.

During the review, the following areas of improvement have been identified:

Finding 1 (Medium) - Identification of Non-financial Risks – There is a risk that not all key non-financial risks are on the Corporate Risk Register as when the New Voter Registration was raised there was initial pushback and challenge from the Corporate Performance Team as this risk was not a financial risk.

Finding 2 (Low) - Checks by the Performance Management team

- Departmental risks - The Performance team perform checks on each department's Operational Risk Register periodically. We found no evidence of this during the audit, nor was there any indication of how often these occur.
- Attendance at risk management workshops – There is no control for the Performance Management team to check which staff have attended the risk management workshops and if those in key roles have been identified and should have access to refresher or ongoing updates.

Finding 3 (Low) – Documentation

- Risk Management Handbook - The Risk Management Handbook does not include details of when it was created, when it was last reviewed, nor when it is next due to be reviewed.
- Risk Register - The Risk register does not state who the control owners are.
- Risk template - There is a new template on the Performance Matters system. The new design does not require the sign off of the risk by the Corporate Performance Manager. The Corporate Performance Manager may not have reviewed the risk to ensure there are appropriate controls and actions to mitigate risk. For the Safeguarding Children risk it was noted that the template (old template format) was incomplete; the Corporate Performance Manager has not completed the sign off section.
- Cabinet and Executive Committees - The CDC Executive and the SNC Cabinet receive a quarterly update on risks in relation to performance as part of the performance exceptions report. The minutes record a performance update, but there is no evidence about any discussion on the risk register.

Executive summary (2 of 2)



Finding 4 (Low) – Operational Risk Registers – Neither the New Voter Registration and the Safeguarding Children risks have an Operational Risk Register.

Finding 5 (Low) – Informal Risk Meetings - New Voter Registration - There are no formal team meetings so it is not always evident how specific risks are monitored at operational level. If these were in place this would allow the team to better monitor and assess the risk going forward.

Finding 6 (Low) – Documentation of the Risk Register

- Corporate Risk Register - The Risk Register does not clearly differentiate between risk, control and action. The Risk Register narrative should be improved to distinguish between risk, controls and actions.
- New Voter Registration - Compensating controls are missing on the Risk Template and Corporate Risk Register.
- Elections 2016 Risk Register - The risks do not clearly align to objectives.

Finding 7 (Low) – Cancelled Meetings for Safeguarding Children - There are quarterly internal safeguarding lead meetings. We tested 2 meetings and found the Q3 meeting did not go ahead due to attendees' availability.

Finding 8 (Low) – Training (Safeguarding Children)

- Staff Awareness of New Procedures - We obtained the results of the annual survey for frontline staff with 64/150 staff not having awareness of the new safeguarding procedures. It is unclear as to why there was this lack in awareness.
- E-learns - The control owner does not have a copy of who has completed the safeguarding e-learns showing that it is not monitored.
- Emergency procedures - Emergency safeguarding summit/procedures are not formally documented.

Finding 9 (Low) – KPIs – There are no KPIs for New Voter Registration or Safeguarding Children risks. Performance reporting should be integrated into risk management process.

Background and scope



Background

Risk management is the process of identifying and mitigating risks to the achievement of the Council’s strategic objectives.

The Accounts, Audit and Risk Committee for Cherwell District Council and the Audit Committee for South Northamptonshire Council have overall responsibility for overseeing risk management and risks are reported to Committee on a regular basis.

Scope

We reviewed the design and operating effectiveness of key controls in place over the risk management process during the period 2016/17. Our work focused on the key controls and processes for identifying, capturing and monitoring risk. The sub-processes and related control objectives included in this review were:

Sub-process	Control objectives
Risk Capture	<ul style="list-style-type: none"> All significant risks to the Council are recognised in a single cohesive system.
Risk Monitoring	<ul style="list-style-type: none"> Service risks are appropriately captured and escalated into corporate risks in line with policy. All risks are regularly monitored and mitigation measures updated as necessary.
Risk Reporting	<ul style="list-style-type: none"> Corporate and service risk monitoring arrangements are appropriate and undertaken in line with policy. Risk escalation process is documented, understood and applied in line with policy. The risk register is reported to a sufficient level of management to ensure awareness and recognition of risks at a corporate level.
Follow up of prior year issues	<ul style="list-style-type: none"> Service risks are reported to a sufficient level of management to ensure awareness and recognition of risks at a corporate level. Agreed action plans regarding prior year issues have been implemented.

Current year findings (1 of 9)

Identification of Non-financial Risks

Control design

1

Finding rating

Rating

Medium

Finding and root cause

In order for risks to be added to the Corporate Risk Register, these need to be escalated from the person that identified the risk, to their manager who will then raise it to the Corporate Performance team who then take to JMT and Audit Committee (SNC)/Accounts, Audit and Risk Committee (CDC) for final approval.

There was initial pushback from the Corporate Performance Team when the New Voter Registration risk was raised by the Democratic & Elections Team as it was not a financial risk.

Implications

The Councils could be missing risks that are significant but not financial.

Action plan

The Councils will consider all risks, not just financial ones.

Responsible person/title:

Louise Tustian, Senior Performance & Improvement Officer

Target date:

31/07/2017

Current year findings (2 of 9)

Checks by the Performance Management Team

Control design

2

Finding rating

Rating

Low

Finding and root cause

Departmental risks

Each department should have a Operational Risk Register, which drives the risks being brought into the Corporate Risk Register. The Performance Management team will check through these periodically and if the same concern is appearing will look to escalate / add into the Corporate Risk Register.

During the audit we found no evidence of how these checks were completed, nor was there any indication of how often they are performed and the criteria for the assessment made.

Attendance at risk management workshops

There have been 5 risk management training workshops during the year, 4 hosted by PwC and 1 by Zurich External Auditors. The Acting Corporate Performance Manager's records state a total of 77 staff across JMT (Joint Management Team), SMT (Senior Management Team) and frontline staff attended.

Training is targeted at a high level to cover anyone that could or is a risk owner; manager/team manager level but there are no formal checks by the Performance Management team to ensure those that should be attending are identified and training plans are in place.

Implications

There could be knowledge gaps in teams if there is not at least one member per team in attendance.

Action plan

Departmental risks – The Performance Management will evidence checks.

Responsible person/title:

Louise Tustian, Senior Performance & Improvement Officer

Attendance at risk management workshops - The Performance Management team will target the risk training/workshops to identify potential frontline/key staff who work in risky areas. This will be a proactive rather than reactive approach.

Target date:

31/07/2017

Current year findings (3 of 9)

Documentation

Control design

3

Finding rating

Rating

Low

Finding and root cause

Risk Management Handbook

The Risk Management Handbook is a detailed guide for staff on how to manage risk. The Handbook does not include any details or when it was created, when it was last reviewed, and when it is next due to be reviewed.

Corporate Risk Register

The Risk register does not state control owners for the controls identified against each risk.

Risk template

There is a new template on the Performance Matters system. The old template had a section to show sign off of the risk by the Corporate Performance Manager. The new design does not require the sign off of the risk by the Corporate Performance Manager. With this new design there is the risk that the Corporate Performance Manager may not have reviewed the risk to ensure there are appropriate controls and actions to mitigate risk. The Councils should conclude if this is still required or there is system sign off that should be built in.

The Safeguarding Children risk the template (old template format) was incomplete. The section ‘Strategic, Corporate & Partnerships Risks’ for the completion by the Corporate Performance Manager has not been completed and signed off.

Cabinet and Executive Committees

The CDC Executive and the SNC Cabinet will receive a quarterly update on risk where it relates to performance matters as part of the performance report.

Although the minutes state a performance update, there is no evidence about any discussion that the Risk Register has been taken to Executive (CDC) or Cabinet (SNC).

Current year findings (3 of 9)

Documentation

Control design

3

Finding rating

Rating

Low

Implications

The Risk Management Handbook could be out of date and following reviews missed.

Staff could be following old procedures/using an old version without knowing.

If there are no control owners stated on the Risk Register, staff may not know who is contact when needed.

Risks may not be documented with the correct mitigating controls.

Action plan

Risk Management Handbook - Dates showing when the Handbook was created, last reviewed and next to be reviewed will be added to cover page.

Responsible person/title:

Louise Tustian, Senior Performance & Improvement Officer

Target date:

31/07/2017

Corporate Risk Register - Control owners will be added on the Corporate Risk Register.

Risk template – The Council will review whether the Corporate Performance Manager should be reviewing/signing off on the risks to check that the appropriate control and actions are in place to mitigate the risks as was required in the old template format.

Cabinet and Executive Committees – Minutes will include evidence of any discussion regarding the Risk Register and also sign post if no actions required over risk/performance update presented.

Current year findings (4 of 9)

Operational Risk Registers

Control design

4

Finding rating

Rating

Low

Finding and root cause

New Voter Registration

We tested the controls around the risk 'Unable to download new voter registrations'. The Councils moved to a different server in 2014 which created connectivity issues in leading to a risk of the Councils losing new voter registrations if there is a connectivity issue.

The Corporate Risk Register collates all the main risks from all departments and the Operation Risk Register is a more detailed risk register held per department specifically for the risks they face.

This risk has been added to the Corporate Risk Register since Q3 but there is no Operational Risk Register to capture this risk alongside any wider issues. The Council do have an Elections Risk Register, but this only covers those risks around election time, so does not cover risks throughout the year.

Safeguarding Children

There is no Operational Risk Register for the risk 'Safeguarding Children, the risk owner for this is the Shared Community Services Manager. Individual departments could have a safeguarding risk on their register although the Shared Community Services Manager does not monitor these specifically.

Implications

Without an Operational Risk Register, there is a possibility that not all risks are not being captured.

Action plan

The Council will look to create Operational Risk Registers for these two areas or how this can be routinely integrated into department risk registers in the case of safeguarding.

Responsible person/title:

Louise Aston - Democratic & Elections Team Leader

Nicola Riley - Shared Community Services Manager

Target date:

31/07/2017

Current year findings (5 of 9)

Informal Risk Meetings

Control design

5

Finding rating

Rating

Low

Finding and root cause

New Voter Registration

All risk discussions are held on a informal basis, there are no formal team meetings so it is not always evident how specific risks are monitored at operational level. Having regular formal meetings will allow the team to better monitor and assess the risk going forward.

Implications

Given the informal nature it makes it difficult to track how often or how little the risk is being discussed and as a result, key risks may be missed or not monitored appropriately.

Action plan

The team will look to have formal meetings or how risks are integrated into current governance structures and where appropriate have the Corporate Performance team's support.

The frequency of the meetings will be determined by the risk owner.

Responsible person/title:

Louise Aston - Democratic & Elections Team Leader

Louise Tustian, Senior Performance & Improvement Officer

Target date:

31/07/2017

Current year findings (6 of 9)

Documentation of the Risk Register

Operating effectiveness

6

Finding rating

Rating

Low

Finding and root cause

Corporate Risk Register

In 2015/16 we raised the finding *‘Controls are documented on the Risk Register, but these are not documented in a manner for any reader to understand. Controls should be documented in a way that can easily be understood.*

The Risk Register does not clearly differentiate between risk, control and action. The Risk Register narrative should be improved to distinguish between risk, controls and actions’.

This is still an issue.

New Voter Registration

The Risk Template has high level details of the risk which feeds into the Corporate Risk Register.

The Risk Template does not accurately show the compensating controls; there are missing controls regarding phone calls and paper based system.

For this specific risk the compensating controls are in the form of phone calls and the paper based system. The standard way to register to vote is by phone and paper and for accessibility purposes these systems remain in place so if the online system breaks down these can still be used.

Elections 2016 Risk Register

The risks in the election register/template do imply mapping to the corporate objective but it is not explicit. Risks should clearly align to objectives to be in line with best practice

We would expect to see these in the register and risk templates.

Current year findings (6 of 9)

Documentation of the Risk Register

Operating effectiveness

6

Finding rating

Rating

Low

Implications

Appropriate controls do not address risks identified.

Staff do not identify the controls to address risk.

Action plan

The Council will look into the Risk Template which is the document that feeds the information into the Corporate Risk Register. Once information is clearly input into the Risk Template, this will clearly differentiate between risk, control, action and mitigating controls and then be clearly differentiated in the Corporate Risk Register.

Responsible person/title:

Louise Aston - Democratic & Elections Team Leader

Nicola Riley - Shared Community Services Manager

Louise Tustian, Senior Performance & Improvement Officer

Target date:

31/07/2017

Current year findings (7 of 9)

Cancelled Meetings Operating effectiveness

7

Finding rating

Rating

Low

Finding and root cause

Safeguarding Children

There are quarterly internal safeguarding lead meetings to check all risks are captured. 1 out of the 2 meetings we tested did not take place. The Q3 safeguarding leads meeting did not go ahead due to attendees' availability.

Implications

Missed team meetings could lead to issues and risks not being discussed, identified and addressed promptly.

Action plan

The Council will reschedule meetings when a high proportion of staff cannot attend. Alternatively if this is not possible, meetings over a call, for example, will be held with a summary of points documented as evidence and circulated to staff who could not attend.

Responsible person/title:

Nicola Riley - Shared
Community Services
Manager

Target date:

31/07/2017

Current year findings (8 of 9)

Training

Control design

8

Finding rating

Rating

Low

Finding and root cause

Safeguarding Children - Staff Awareness of New Procedures

A frontline staff survey is performed annually and the Shared Community Services Manager will review the results relating to the safeguarding question. We obtained the results of the survey with 64/150 staff not having any awareness of the new safeguarding procedures and therefore have not incorporated them into their role. It is unclear as to why there was a lack in communication in reaching staff to keep up to date with procedures.

Safeguarding Children – E-learns

All new recruitment panels are required to include one member of staff who has had the safeguarding children training.

The control owner does not have a copy of who has completed the e-learns, so does not monitor. HR has a copy, we requested a copy and were not provided with it.

Safeguarding Children - Emergency procedures

Emergency safeguarding summit/procedures are not formally documented.

Implications

Staff may not identify risks and controls over safeguarding.

Staff may not have the appropriate required training or there may not be enough staff properly trained which are required for interview panels.

Staff may not know the emergency procedures on safeguarding.

Current year findings (8 of 9)

Training
Control design

8

Finding rating

Rating

Low

Action plan

Staff Awareness of New Procedures - Staff who do not know about the new safeguarding procedures have been identified through the annual survey and the Council has a target date of October 2017 ensure all staff are updated.

Responsible person/title:

Nicola Riley - Shared
Community Services
Manager

E-learns - The control owner will review who has completed the e-learn, monitor and chase those who have not to complete.

Target date:

31/10/2017

Emergency procedures – The Council will formally document the emergency procedures and make them available on the Intranet to make easily accessible.

Current year findings (9 of 9)

KPIs

Operating effectiveness

9

Finding rating

Rating

Low

Finding

New Voter Registration

There are no KPIs for the new voter registration but there are statutory deadlines. During the EU referendum elections the team struggled due to the surge of demand to register on the system ahead of the deadline for the referendum.

Safeguarding children

There are no KPIs for safeguarding (children), although certain service lines will have KPIs over safeguarding, for example, homeless people.

There is no obvious link between performance and risk.

Implications

Without KPIs, departments have no clear mechanisms to assess whether they are on track, KPIs can help departments identify patterns, or areas of concerns or good practice.

Action plan

The Council will decide on appropriate KPIs and how these are integrated into its risk management processes

Responsible person/title:

Nicola Riley - Shared
Community Services
Manager

Target date:

31/07/2017

Prior year open findings (1 of 4)

Documentation of the Risk Register

Operating effectiveness

1

Finding rating

Rating

Low

Finding

Risk: All tested

Controls are documented on the Risk Register, but these are not documented in a manner for any reader to easily understand. Controls should be documented in a way that can easily be understood.

The Risk Register does not clearly differentiate between risk, control and action. The Risk Register narrative should be improved to distinguish between risk, controls and actions.

Original agreed action

Agreed, risk guidance for how to complete a risk register will be circulated to risk owners and the performance team will review risks and challenge the risk owners on the documentation on the risk.

The performance team will carry out an audit of the documentation of the Risk Register with example risk documentation circulated.

PwC provided the Council with risk management training during April 2016; the Council will look to implement this recommended action as a result of the guidance provided by PwC during training. Following on from the training sessions the Council will be including awareness of titles and the content required for each risk, control and action, also including the new risk template.

Status update

Partially Implemented. Templates, Handbook and central guidance has been developed following on from risk sessions and is being reviewed as part of on going review.

Responsible person/title:

Louise Tustian, Senior Performance & Improvement Officer

Target date:

31/07/2017

See current year finding 6.

Prior year open findings (2 of 4)

Risk Appetite Control design

2

Finding rating

Rating

Low

Finding

Finding 2014/15

In 2014/15 we reviewed the latest ' Risk and Opportunities Management Strategy'. The document included both of the Councils' Risk Management Statements. We noted that the risk appetite statement was not specific to the Council and did not specifically address the maximum level of risk that the Councils were willing to accept. It did not state for example at what gross risk score and net risk score drove the risks management process and then from a net risk score at what level or number of controls should be assigned, implemented and monitored.

Agreed action 2014/15

The Risk appetite statement would be reviewed so the risk appetite is explicit and reflective of the agreed approach and appetite of the Council.
A review of the Risk & Opportunities Management Strategy was due to be undertaken during the prior year, including the risk appetite statement. The Council said they would seek advice from PwC on how this could be effectively disseminated using the "Managing Risk" training programme thereby ensuring implementation of a robust governance and reporting framework

Finding 2015/16

The Council reviewed the statement but were not sure of how to improve. At the time of the audit it was planned for PwC to provide training of how to reinforce the statement and the Council would then reissue an updated risk management guide. PwC has since provided training during April 2016 so the Council.

Prior year open findings (2 of 4)

Risk Appetite

Control design

2

Original agreed action

Agreed. Since the audit, the strategy has been updated and Risk Appetite has been discussed within each of the Risk awareness/training sessions to further understanding.

Status update

Implemented

Training has been provided and the risk appetite statement alongside guidance has been updated in the Risk Management hand book.

Finding rating

Rating

Low

Prior year open findings (3 of 4)

Policy, Procedure Notes and Risk Management training

Control design

3

Finding rating

Rating

Low

Finding

We have noted two findings under the area of updates to information provided to staff:

Policy and procedure notes

The policy and procedure notes have not been updated; this was due to the Council waiting for PwC to provide risk management training which was not yet provided at the time of the audit. PwC has since provided training during April 2016 so the Council will now resolve this.

Risk Management training

Finding 2014/15 - From discussion with risk owners there appeared to be a lack of awareness of what risk management training was available to staff and there were no structured refresher courses or re-training scheduled to take place as part of an overall training programme.

The Council did not have regular training for risk management. We understood that it was the employee's responsibility to request training if they felt that it would benefit them. From testing of the selected risks in 2014/15 it was thought that some issues or themes could be avoided if risk management training needs were reviewed. For the shared risk tested 'S7: Customer Service Improvement' at SNC it was found that the risk owner was not aware of basic risk management documents available such as the 'Risk and Opportunities Management Strategy' and the escalation process for risks resulting in a heavy reliance of the performance management team.

Risk management understanding - From the selected risks it was considered that the risk register may not have been fully understood in terms of actions and controls that were assigned to each risk and how these interacted. The completion of the risk register showed that there was a lack of training (or training gap) particularly around the understanding between controls and actions and how the risk register and risk management worked in practice, especially if new risk owners were assigned to reflect staff movements.

Update 2015/16:

At the time of the audit there had been no progress as PwC had not yet ran a training session for the Councils. The performance team were waiting for support from PwC to help them identify improvements to their risk management strategy and policy. PwC has since ran a risk training course in April at both Councils. Following this support, the Council can implement a training program to be completed by all staff responsible for identifying or managing risk.

Prior year open findings (3 of 4)

Policy, Procedure Notes and Risk Management Training

Control design

3

Finding rating

Rating

Low

Original agreed action

Agreed. Policy & procedure notes have been reviewed and drafted, these will be discussed as part of the risk working group to ensure they are easily followed/understood etc. Risk management training has started with PwC leading four sessions across both the sites.

Status update

Partially Implemented. Training has been delivered and policy and handbook has been developed since training sessions.

See current year finding 2 and 3 in current year findings.

Responsible person/title:

Louise Tustian, Senior Performance & Improvement Officer

Target date:

31/07/2017

Prior year open findings (4 of 4)

Six Month Spot Checks

Control design

4

Finding rating

Rating

Low

Finding

The Council plan to have more involvement and a focus on operational risks in the future. At the time of audit, the Council were in the process of establishing individual service area risk registers. From the service level risk registers that were completed, we tested 2 service risks, one from CDC and one from SNC to gain an understanding of how the risk is managed and the escalation process for the risk.

The overarching central register for service level risks is in progress and it is hoped that in the coming year the Council will have the time to be able to carry out a six month spot check due to having an extra member of the team providing the resource to be responsible and accountable for these activities.

Progress has been made, plans are in place, but not yet carried out.

Original agreed action

The Councils will continue to review resources and controls so that more focus will be placed on operational risks – controls, effectiveness and escalation processes and appropriate spot checks are implemented.

The Council hope that in the coming year it will be possible to be able to carry out a six month spot check due to having an extra member on the team.

A new column entered into the database will capture risk review/response date by owner. The Council is expecting to be able to create a master sheet of all operational risks.

Operational risks will be included in health checks of services, they have been captured within service business plans and will be discussed as part of business planning sessions.

Performance Matters is now ready for use of capturing and managing risks across both sites. Formatting of risk register to be reviewed and including direction of travel.

Prior year open findings (4 of 4)

Six Month Spot Checks

Control design

4

Status update

The Councils have not had the capacity to complete 6 monthly checks of operational risks. With the introduction into Performance Matters this will become much more of business as usual for 2017/18.

Once all the Operational Risk Registers have been uploaded on to the system the Council will be able to begin performing these spot checks.

See current year findings 2 and 4.

Responsible person/title:

Louise Tustain

Target date:

31/07/2017

Finding rating

Rating

Low



**Appendix A: Basis of our
classifications**

**Appendix B: Terms of
reference**

**Appendix C: Limitations
and responsibilities**

**Appendix D: Best practice
and insight**

Appendices

Appendix A: Basis of our classifications

Individual finding ratings

Critical

A finding that could have a:

- **Critical** impact on operational performance; or
- **Critical** monetary or financial statement impact; or
- **Critical** breach in laws and regulations that could result in material fines or consequences; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability.

High

A finding that could have a:

- **Significant** impact on operational performance; or
- **Significant** monetary or financial statement impact; or
- **Significant** breach in laws and regulations resulting in significant fines and consequences; or
- **Significant** impact on the reputation or brand of the organisation.

Medium

A finding that could have a:

- **Moderate** impact on operational performance; or
- **Moderate** monetary or financial statement impact; or
- **Moderate** breach in laws and regulations resulting in fines and consequence; or
- **Moderate** impact on the reputation or brand of the organisation.

Appendix A: Basis of our classifications

Individual finding ratings

Low

A finding that could have a:





- **Minor** impact on the organisation’s operational performance; or
- **Minor** monetary or financial statement impact; or
- **Minor** breach in laws and regulations with limited consequences; or
- **Minor** impact on the reputation of the organisation.

Advisory

A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

The report classification is determined by allocating points to each of the findings included in the report.

Findings rating	Points	Report classification	Option A	Option B	Points
Critical	40 points per finding		Low risk	Satisfactory	6 points or less
High	10 points per finding		Medium risk	Satisfactory with exceptions	7 – 15 points
Medium	3 points per finding		High risk	Needs improvement	16 – 39 points
Low	1 point per finding		Critical risk	Unsatisfactory	40 points and over

Appendix B: Terms of reference



This review is being undertaken as part of the 2016/2017 internal audit plan approved by the Accounts, Audit and Risk Committee for Cherwell District Council and the Audit Committee for South Northamptonshire Council.

Background and audit objectives

Risk management is the process of identifying and mitigating risks to the achievement of the Council's strategic objectives.

The Accounts, Audit and Risk Committee for Cherwell District Council and the Audit Committee for South Northamptonshire Council have overall responsibility for overseeing risk management and risks are reported to Committee on a regular basis.

Appendix B: Terms of reference



Scope

We will review the design and operating effectiveness of key controls in place over the risk management process during the period 2016/17. Our work will focus on the key controls and processes for identifying, capturing and monitoring risk. The sub-processes and related control objectives included in this review are:

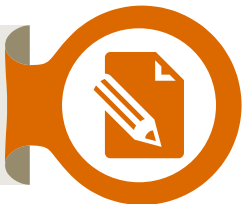
Sub-process	Control objectives
Risk Capture	<ul style="list-style-type: none"> All significant risks to the Council are recognised in a single cohesive system.
Risk Monitoring	<ul style="list-style-type: none"> Service risks are appropriately captured and escalated into corporate risks in line with policy. All risks are regularly monitored and mitigation measures updated as necessary. Corporate and service risk monitoring arrangements are appropriate and undertaken in line with policy. Risk escalation process is documented, understood and applied in line with policy.
Risk Reporting	<ul style="list-style-type: none"> The risk register is reported to a sufficient level of management to ensure awareness and recognition of risks at a corporate level. Service risks are reported to a sufficient level of management to ensure awareness and recognition of risks at a corporate level.
Follow up of prior year issues	<ul style="list-style-type: none"> Agreed action plans regarding prior year issues have been implemented.

Risks to be included in the review

We have selected risks from the corporate risk register, we will understand any changes to operational and service risks and how these are managed into the corporate risk process by conducting a walkthrough of one Cherwell and one South Northamptonshire service risk. Corporate and Service risks have been selected by the Corporate Performance Manager and will be communicated to appropriate risk owners. Key documentation and risk updates to be collated and sent by the Corporate Performance Manager and to be ready for the start of the on site review. Corporate risks selected:

- Shared risk - Safeguarding children
- Shared risk - New voter registration
- ICT loss of systems - we will assess whether this should be a shared risk

Appendix B: Terms of reference



Limitations of scope

The scope of our work will be limited to those areas defined above.

We have not scoped in risk management training in this review as we have separately delivered risk management training for appropriate officers at both Councils, and providing input over ongoing training needs which are being reviewed.

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the risk management process through discussions with key personnel, review of systems documentation and walkthrough tests;
- Identify the key risks within the process;
- Evaluate the design of the controls in place to address the key risks; and
- Test the operating effectiveness of the key controls.

Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below:

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

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Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to public sector internal audit standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

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