

The logo for Audit West features the company name in a sans-serif font, with 'Audit' in orange and 'West' in black. The text is centered between two horizontal grey lines that have a slight inward-pointing arrow at their ends.

Audit West

**Draft Internal Audit Report
Confidential**

WECA - Risk Management

February 2019

Executive Summary

Audit Opinion:

Assurance Rating	Opinion
Level 5	The systems of internal control are excellent with a number of strengths and reasonable assurance can be provided over all the areas detailed in the Assurance Summary
Level 4	The systems of internal control are good and reasonable assurance can be provided. Only minor weaknesses have been identified over the areas detailed in the Assurance Summary
Level 3	The systems of internal control are satisfactory and reasonable assurance can be provided. However there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan
Level 2	The systems of internal controls are weak and reasonable assurance could not be provided over a number of areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the risk exposure
Level 1	The systems of internal controls are poor and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure and the issues will be escalated to your Director and the Audit Committee

Assurance Summary:

Assessment	Key Control Objectives
Satisfactory	To ensure that management and staff understand and comply with formally adopted systems / processes
Satisfactory	To ensure 'Organisation' Risk Registers (Service and Corporate) are maintained, reflect current and emerging risks and enable mitigating action to be monitored
Satisfactory	To ensure that decision making is informed through a risk and opportunity assessment process
Good	To ensure that a Risk Management Strategy has been established and appropriately approved

Detailed Report

Opinion:

Internal Audit has undertaken a review of the risks and controls related to WECA - Risk Management and assessed the framework of internal control at **Level 3**. A total of **1 audit recommendations** are detailed in the Action Plan.

Scope and Objectives:

The scope and objectives of our audit were set out in the Audit Brief and a summary of our opinion against each of the specific areas reviewed has been detailed in the Assurance Summary section above.

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Context & Audit Comment:

Following a review of the eight themes of good governance using its 'Reasonable Assurance Model' at the end of 2017/18, Audit West identified that the West of England Combined Authority (WECA) did not have a formally adopted Corporate system in place to identify, manage and monitor risks. As a result, an audit review of the Authorities proposed risk management strategy and framework was included in the Annual Audit Plan for 2018/19. The purpose of this Internal Audit review was to assess the current arrangements for Risk & Opportunity Management within the WECA and to explore new approaches for the WECA to adopt in order to improve risk & opportunity management.

The Audit Review was undertaken in two phases;

- Phase One – Consultation on Risk Management Strategy
- Phase Two – Progress on implementing the adopted Risk Management Strategy

Phase one took place in the second quarter of 2018/19; this involved providing guidance and support to WECA risk management best practice. Using the guidance provided and their own expertise WECA developed a Risk Management Strategy which was presented to the Senior Management Team and was formally adopted by the Audit Committee on 8th November 2018. Following feedback received from these meetings, management commenced the implementation of the risk management strategy in November 2018.

Phase two of the audit review took place in the third quarter of 2018/19; this piece of work involved reviewing the implementation and ongoing use of the adopted Risk Management Strategy.

Current Position on Risk Management

It is the opinion of Audit West that WECA have adopted an effective Risk Management Strategy and it has received the support from the Senior Management Team and the Audit Committee. Good progress has been made with the implementation of the strategy, however, it is still early days with regard to the embedding process. Indeed, feedback on the strategy is being received and as a result processes are still being refined and amended.

Processes are being developed across WECA so that Corporate and Service Risk Registers are updated and presented to Senior Management Team (SMT) in accordance with the WECA performance reporting process documented within the Risk Management Strategy.

Risks are being escalated from Service Risk Registers to the Corporate Risk Register upon agreement from SMT. Action plans are created from SMT meetings but there are no meeting minutes to support this.

As a separate project but related to risk management, WECA are working on aligning all project risk registers to standardise the project risk reporting. Discussions have started on what would be expected to be reported within a project risk register.

WECA should continue to work on processes that embed the Risk Management Strategy within the authority.

We identified the following strengths:

- A Risk Management Strategy has been established by WECA; the Strategy and how to complete risk registers has been effectively communicated to the risk register owners.
- Structured processes have been established to help identify record and manage risks.
- Updated service area and corporate risk registers have been presented to SMT monthly (November and December 2018) in accordance with the Risk Management Strategy
- Risk and opportunity management is formally considered as part of the decision making process at WECA Committee and senior management level.

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We identified the following weaknesses:

- All the necessary components recorded in the Risk Registers are not always updated as part of the monthly updating process

Audit & Risk Personnel:

Lead Auditor: Harriet Hodge

Acknowledgements:

Sincere thanks to Lynda Bird and all service staff for their help and assistance provided throughout the Audit review.

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ACTION PLAN

MEDIUM RISK EXPOSURE				
	Weakness Found	Implication or Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
M1	<p>Risk Registers Service Area Risk Registers have not always been fully completed to show:</p> <ul style="list-style-type: none"> • Action plan owner • Proposed action plan • Action plan updates • Date last updated <p>Risk Registers are currently updated on a monthly basis, however, the "date last updated" column does not always reflect this. As a result, it is not clear whether all risks identified have been reviewed.</p> <p>It is acknowledged that Risk Registers have been established for each of the Service Areas using templates provided in the Risk Management Strategy.</p>	<p>If the Risk Registers are not updated there is a risk that they do not reflect current and emerging risks and mitigating actions.</p> <p>There is a risk that risks will not be effectively managed.</p>	<p>In order to enhance the completion and use of Risk Registers it is recommended that the risk management owners should ensure that all columns on the risk register template are completed in full and that updates to the action plan are reported within the register and reported to SMT on at least a monthly basis</p> <p>WECA should continue to update the Risk Registers on at least a monthly basis.</p>	<p>We recognise that the process for managing Service Area Risk Registers needs to be formalised. This was discussed at WECA SMT on 12th February 19 where it was agreed that each Directorate would take responsibility for maintaining its Service Risk register and a timetable would be established for providing monthly updates on these to SMT.</p> <p>Lynda Bird Head of Performance, Planning & Projects 25/02/2019</p>