Internal Audit Report
Risk Management Follow Up 2017/18
Plymouth City Council
May 2018

devon audit partnership
Auditing for achievement

Audit Opinion 2016/17	Direction of travel
Working – Senior managers take the lead to apply risk management thoroughly across the organisation. They own and manage a register of key risks and set the risk appetite. A core group of people have the skills and knowledge to manage risk effectively and implement the risk management framework. Staff are aware of key risks and responsibilities. Risk with partners and suppliers is well managed across organisational boundaries. Appropriate resources in place to manage risk. Risk management processes used to support key business processes. Early warning indicators and lessons learned are reported. Critical services supported through continuity plans.	

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Introduction
This audit was undertaken in accordance with the 2017/18 agreed annual audit plan. A follow up review was undertaken to provide assurance to management and those charged with governance, on the progress being made to further improve Plymouth City Councils risk maturity level.

Our approach has been to meet with the Head of Assurance Services and Corporate Risk Advisor to obtain an update on progress being made against audit identified opportunities. Testing has also been undertaken where appropriate.

Executive Summary
Although the overall opinion statement has remained the same a significant amount of work has taken place to initiate improvement and there are plans in place to ensure that risk management arrangements become more embedded and integrated. Of particular importance is the reintroduction of formal business planning processes, with plans being implemented for this to be closer aligned with risk and performance management processes. This will provide optimised management information tools that will strengthen Corporate Governance and support effective decision making. Once the business planning process becomes embedded and opportunities taken to develop a shared repository that will enable collaboration and the identification of synergies the Councils risk maturity will rise to Embedded and Integrated.

Organisational changes mean that the Corporate Risk Advisor will be moving into the Chief Executive Office which will enable better synergies with business planning and performance management. This will also provide the opportunity to develop the knowledge and skills of policy and performance officers that routinely support service directorates building further resilience into the system of internal control.

Plymouth City Council recognises it needs to consider how it manages risk but also how it explores opportunities and takes bolder steps to do this. There is therefore a need to ensure that risk and opportunity management arrangements are as effective as possible to support the delivery of the best outcomes for Plymouth's residents. Implementing a continuous cycle of improvement will ensure Risk and Opportunity Management arrangements will be a driver in realising achievement.

Updates on the progress made against each agreed recommendation is described in the Appendix A below. Definitions of the assurance opinion ratings are also given in the Appendix A to this report.

Issues for the Annual Governance Statement
The evidence obtained in internal audit reviews can identify issues in respect of risk management, systems and controls that may be relevant to the Annual Governance Statement. In terms of this review we are able to report that there are no issues arising that warrant inclusion in the Annual Governance Statement.

Acknowledgements

We would like to express our thanks and appreciation to all those who provided support and assistance during the course of this audit.
Written responses should be returned to Louise Clapton (louise.clapton@devonaudit.gov.uk). Alternatively a meeting to discuss the report and agree the action plan should be arranged with the named auditors.

Robert Hutchins
Head of Partnership

Detailed Audit Observations and Action Plan

Original Opinion Statement as at October 2016	Level of Assurance
	Working

Overall risk management arrangements operating within Plymouth City Council are considered to be "Working". The Council have a robust Risk and Opportunity management strategy that continues to be updated to ensure it remains fit for purpose, however the consistency of which Risk Management is Embedded and Integrated into the day to day business across the Council has reduced since our last review in 2012.

It is acknowledged that the Corporate and Senior Management Teams are risk focused and consider risks to objectives as part of day to day corporate and service management with risk registers maintained and subject to routine monitoring and reporting. However visibility and understanding has diminished following a sustained period of significant change, opportunities should now be taken to raise the profile and understanding of risk and opportunity management and strengthen existing arrangements including:

- Identification of risk and opportunity through consistent business planning processes, and setting of risk appetites to provide focus,
- Capturing proportionate timely risk and opportunity information within established management processes,
- Provision of real-time risk and opportunity information that is integrated with finance and performance information and utilised in decision making,
- Further develop horizon scanning for both risk and opportunity at all levels of management and understanding of the cost vs benefit of risk mitigation,
- Removal of tension between culture and process strengthening common purpose, value and ethics. This will encourage universal adoption, application of key policies and procedures, and encourage timely, transparent and honest communication.

The effectiveness of risk and opportunity management arrangements vary across the Council, lessons could therefore be learned through the sharing of best practice and development of case studies to enable a culture that protects the reputation, improves resilience, reduces unexpected losses, demonstrates good governance, increases the effectiveness of change programmes and better positions the Council to meet its strategic objectives and priorities.

1	Original Audit Observations, Findings and Opportunities as at October 2016
	Corporate, Service and Financial Planning Although the corporate plan states that the Councils objectives will be delivered through the Medium Term Financial Strategy and Service plans there has been an inconsistent approach to service planning across the Council with a focus primarily on Transformation and Improvement Plans. Risk Management as a management tool and a key part of the governance system is therefore not optimised and the golden thread of Corporate Planning, Service Planning, Risk and Performance Management is therefore weakened. The translation of the corporate plan through service business plans to team and individual action plans is recognised best practice. It is the corporate and service objectives to which strategic and operational risk and opportunity management should be aligned. **To embed risk management, it is important that risk management is woven into business processes otherwise it will continue to be a parallel activity. A consistent approach to identifying risks and opportunities to service priorities and objectives as part of the planning process will strengthen risk management arrangements.** **As part of annual financial and business planning, management should consider undertaking a risk and opportunity review. This would ensure that all risks and opportunities can be evaluated and registers updated to align with current strategic, operational, financial and project plans.**

	Senior Management should consider utilising the skills and experience of Risk Officers to facilitate risk and opportunity workshops as part of their business and financial planning activities.
	Original Management Response to audit in 2016
	The roll out of new software reporting (if the Project Server fits our needs) will be a good opportunity to review department registers and ensure alignment with all plans as this will need to be done in collaboration with risk owners.
	Audit Observation and Management Update as at March 2018 **Partially Implemented**
	A new business planning process has been agreed (March 2018) and instructions were issued to SLT to prepare and submit a draft business plan by the 30th March. The instructions issued clearly demonstrate the need to align business planning, performance, finance and risk information with an annual focus and two year operational horizon. Work is underway within the Chief Executive Performance and Policy Team to align KPI and risk information with Corporate and Service objectives through the business planning cycle for discussions at monthly DMTs. Business plans have now been developed for the start of the 2018/19 and discussions held to determine gaps in risk and performance information. This will now require a refresh to reflect new priorities following the recent change in the political administration. Once implemented and embedded this will strengthen Corporate Governance arrangements across the Council, enable continuous improvement and support delivery of Council objectives.
2	**Original Audit Observations, Findings and Opportunities as at October 2016**
	Risk and opportunity information Corporate and Departmental Management Teams are managing risks all the time but don't formally capture all risk management activity. As the current process encourages the recording of information only at that particular moment in time risk registers may not provide a true and fair view of the risks and opportunities currently facing the Council. The current process of recording, monitoring and reporting risk and opportunity information is overly resource intensive and inefficient. Although adequate risk information is being captured through the six monthly risk monitoring cycle, which is held in a variety of spread sheets and word templates, there is no demonstrable evidence that this information is utilised day to day by management. The risk templates have recently been updated and improved but the process is considered to be "a bit clunky". Risks are managed as part of the business as usual and are considered as part of the day to day service management however current risk management processes are completed in addition to day to day decision making. **Management should consider the effectiveness of the use of spread sheets to record, monitor and report risk and opportunities, and the possibility of it preventing effective management and exploitation of risk and opportunities. Confidence in the current process needs to be developed if it is to continue to be used as the key source of risk management information. The process of recording, monitoring and reporting should be proportionate and not overly bureaucratic but allow for sufficient information to be captured to support management and aid real-time decision making.** **Consider the development and implementation of a real time risk management system that will provide an interactive, live management tool that can be utilised on a day to day basis. This will provide a complete history and audit trail of updates as well as negating the need to undertake a separate monitoring exercise if information is updated on an on-going basis.**

To ensure that each Directorate is fully aware of all risks to corporate and service objectives for which they have responsibility, Directorate risk registers should include all strategic, operational, project/programme and partnerships risks. Risk management is not an isolated activity so to further embed, integrate and in order for management to utilise risk and opportunity information in everything it does a live, interactive reporting tool should be implemented. This would enable strategic, operational, project and partnership risk records to be drawn into different reports so that one risk can be a component of the Strategic Risk Register as well as in any other appropriate risk register ensuring that all see exactly the same position on the risk. DMT's and Risk Owners could access this information as and when required to add to, update or remove risks as things happen. This would provide:

- **Accountability, risk owners would be clearly recorded.**
- **Standardisation, standard fields would encourage consistent and complete record keeping of mitigating controls, action plans, risk reviews.**
- **Email alerts to risk owners reminding of impending or overdue risk reviews.**
- **Audit trail, all changes to risk ratings, action plans, mitigating controls etc. would be recorded.**
- **Reporting could be aligned to suit all requirements for, strategic, operational, project and partnership risk registers. Enabling the reporting of risks due to the significance of their rating as and when required.**
- **One version of the truth, held securely and accessible to those who need it.**

It is recognised that whilst Senior Management see the merit in a real-time risk management system they felt that there were other higher priorities to focus on and could not commit limited Officer time to learning a new system. It may therefore be an opportunity to develop the current project server for recording and managing risk. Council staff are already familiar with this system and could be developed with limited cost. HR have already utilised this system to better manage its BAU risk.

The cost benefit of implementing a risk management system should be evaluated. Any consideration of a new system should include the potential to integrate with performance and finance information.

Original Management Response to audit 2016	

JCAD demonstrated their Core Risk system to us in April; however, it became apparent during recent AD interviews that there was little appetite from ADs for investing money and officer time in bespoke risk software with the current budget situation.

The Project Server currently used within Portfolio is being scoped by a Business Analyst as a possible corporate risk software solution. This is being tracked as part of our Finance Fit Transformation Project.

The AD for HROD utilises the Project Server to help align project risks, financial and performance information and this model could be used as good practice for other departments to follow for Corporate risk reporting. The output of this is being used as HROD's business plan.

More joint working is planned with DAP in areas such as Assurance Mapping, auditing of control actions and running risk and opportunity workshops.

Audit Observation and Management Update as at March 2018	Partially Implemented

Risk and opportunity information continues to be recorded on numerous spreadsheets with central compilation for reporting to Audit Committee bi-annually for both strategic and operational risks.

	Implementation of risk and performance discussions at monthly DMT's will ensure the accuracy and completeness of risk information and promote consistent consideration when taking decisions. Review of risk registers will be undertaken quarterly in line with corporate planning timelines. Opportunities continue to be explored to enable the provision of real time risk management information, such as the use of SharePoint as a repository for risk and opportunity information alongside business plans, performance and finance information. This will be important to enable better collaboration/sharing of risk and opportunity information across SLT to help moderate business plans and identify synergies. However it is understood that the development of SharePoint as a repository for Corporate Governance Management Information has been put on hold at the time of the audit.
3	**Original Audit Observations, Findings and Opportunities as at October 2016**
	Reporting, Scrutiny and Communication Risk management reporting is in line with the risk management strategy; however there is insufficient evidence to determine the effectiveness of scrutiny and challenge of strategic and operational risk and opportunities. This evaluation has found that Council Leadership and Senior Management respond to risk as part of day to day management, with the Corporate Management Team and Audit Committee routinely considering high level risks, however to be effective the process is reliant on the flow of complete, accurate and timely risk information. This review has found that the true benefit of Risk Management is not currently being realised due to a lack of real time risk and opportunity information that is preventing the flow and utilisation of risk information which may put the council at risk of the glass ceiling effect. As an organisation changes, its risk, control and compliance activities often become fragmented, siloed, independent and misaligned. This has an impact on both the governance oversight and the business itself. Often, there are multiple communications to management and the board that overlap and cause confusion. And, a lack of coordination among functions can increase costs and fatigue on the business. Although overall Senior Management do not consider the Council to be risk adverse this evaluation has revealed that the business areas can feel they are hindered by risk averse compliance functions, whilst Corporate functions indicated that there is the potential for risk aversion at service or organisational level. It is also considered that other procedures and policies can create a culture that is too risk averse, e.g. HR policies, legal and financial advice. The reward of risk taking is not always recognised. **Management should consider the importance of minute taking which supports good governance, demonstrates integrity, transparency and accountability.** **Implementation of real-time risk and opportunity management information will support the accuracy and timeliness of information used in decision making.** **To prevent silo working senior management would welcome visibility of all corporate risk registers. This would further develop the identification of risk commonality across the organisation and enable risk clustering.** **Departmental Management Teams would welcome peer challenge across departments and more effective and creative challenge and discussion of risks and opportunities by CMT when taking decisions.** **More clarity would be welcomed regarding the reporting of more complex and sensitive risk and opportunities, particularly regarding commercial sensitivities.**

	It may be, to promote understanding, scrutiny and challenge that the risks to service area objectives are discussed at least annually at full team meetings. The development of service performance dashboards and performance reporting may also be an effective mechanism to communicate risk alongside other service performance information. There appears to be confusion regarding what constitutes a strategic or operational risk, how risks escalate between the various risk registers and the difference between a risk and an issue. It is important that clarity is given to ensure trust and confidence in the framework. The Corporate Risk Team should ensure that guidance and training is clear and comprehensive and use case studies to increase understanding. Determining risk appetite will also provide clarity and support Management when taking decisions on risk and opportunity. Use of case studies and lessons learned to understand the benefit and results of well managed risk taking will increase confidence and drive business change.
	Original Management Response to audit 2016
	The Project Server is being scoped as a software solution to provide 'real time' risk information. If this could be utilized it would provide an easy platform for cross challenge to take place as risk registers will be held centrally and could be viewed by whoever has a licence to use the system. The revised Risk Appetite statement helps to distinguish escalation of a strategic risk. There is also guidance on the staffroom page of the intranet which is linked to the eLearning module and Risk Champions are aware of the difference. Risks that are considered commercially sensitive can be discussed as Part II in Committee Reports so that they are not made public. A system for recording sensitive risks will need to be adapted for any software system we utilise.
	Audit Observation and Management Update as at March 2018 — **Partially Implemented**
	With the implementation of the new business planning process and the alignment with Risk, Performance and Finance scorecards that will form a part of monthly DMT meetings it is envisaged that real time information will be captured and used in decision making. Better use of risk appetite is evident with service/contract specific risk appetites being defined for Integrated Health and Social Care and Plymouth Highways. Clarity around escalation of risk has been completed through published risk management strategy guidance and better informed through the development of service specific risk appetite statements.
4	**Original Audit Observations, Findings and Opportunities as at October 2016**
	Risk Management Knowledge and Understanding Staff at all levels are understood to be aware of the risks to our business although they may not necessarily know the language of risk management and may be more risk adverse than is necessary, possibly lacking confidence to take risk. Escalation of risk and opportunity takes place in accordance with procedures however reporting to all staff due to capacity and time pressures is not considered as effective. Value was recognised in the training and risk workshops provided by the Corporate Risk Team, initially in 2006 and ad hoc over more recent years however there has been a lot of change and some knowledge and understanding has been lost along the way.

E-learning has recently been rolled out to develop the knowledge and understanding of implementing risk management, however there has been limited completion at this time. Senior Management should encourage their staff to complete the training to raise confidence in utilising risk and opportunity management to drive the business.

Changes to the individual performance competencies has meant that the responsibility of risk and opportunity management is no longer evaluated, it is therefore important that Management ensure the culture of risk/opportunity awareness and management is maintained.

A consistent approach to ensuring all staff are involved in the understanding, identification and management of risks to council objectives would further strengthen risk management arrangements. Some of the best vehicles for doing this may be leadership team blogs, intranet articles, cascading meetings or email bulletins/newsletters.

Original Management Response to audit 2016	

E-Learning has been promoted on Yammer and at a recent Finance Fit Market Place event.

It is not compulsory for all staff to undertake the training as risk management is primarily a management tool.

Implementation of new RM software will require training to be rolled out to departments. There is scope to store guidance information on the system which will provide consistent language and methodology.

Audit Observation and Management Update as at March 2018	Partially Implemented

The new business planning process identifies the need to link risk and opportunity through service and individual objectives, this should encourage visibility of risk and opportunities at all levels of the organisation.

At the end of February 2018 only 11% of managers and 7 % of the Councils employees have undertaken the eLearning.

There has been limited use of leadership team blogs, intranet articles, social media channels or email bulletins/newsletters. There is an opportunity to utilise these channels to better communicate and engage all employees. As part of the new business planning process and alignment of risk, performance and management information opportunities to communicate with employees and customers through various digital channels could be explored. Development of SharePoint would also help to realise better sharing of information, knowledge and experiences.

5	Original Audit Observations, Findings and Opportunities as at October 2016

Risk Champions

Risk Champions have ensured that the monitoring of operational and strategic risk registers have been undertaken in line with the risk management timetable and strategy and have been a key driver to promoting and delivering the risk management strategy. However the appointment and utilisation of this role is inconsistent across the Council. Whilst each service within Transformation and Change have their own Risk Champion, People and Place services rely on a couple of business support officers whose capacity to deliver this role is becoming increasingly difficult. Plymouth City Council has undergone significant change over the last few years. With less resources to support risk management processes it is critical that risk management is carried out within established management processes allowing risk information to flow from the business as usual.

Management should consider the role of their Risk Champion's and how to make best use of their knowledge and expertise. Their role in promoting, facilitating and supporting risk management is of value and opportunities to better utilise these skills to support the business should

	be explored. However only using Risk Champions to deliver the resource intensive monitoring of risk registers is not efficient. Implementing a real-time Risk and Opportunity Management information would provide a more efficient and effective process allowing officers at all levels of the organisation to manage, monitor and report on risk and opportunity as part of their day to day business activity.
	Original Management Response to audit 2016
	A software solution should reduce risk workload in terms of monitoring for Risk Champions as risk owners would be expected to input information directly into the system. Their role will still be a vital element in promoting and guiding the process, helping to promote benefit realisation, managing risk management bids and providing the link between departments and the Head of Assurance/Corporate Risk Advisor.
	Audit Observation and Management Update as at March 2018 / **Partially Implemented**
	Risk Champions continue to provide support and co-ordination for risk management arrangements, with an identified Risk Champion assigned to each DMT. Where there is not an identified Risk Champion the Corporate Risk Advisor is seeking individuals to fulfil this role. Risk Champions will support the joint monitoring process for performance and risk.
6	**Original Audit Observations, Findings and Opportunities as at October 2016**
	Integration with Finance and Performance Information Planning, Performance, Finance and Risk Management are part of a cycle for ensuring improvement to deliver priorities, which involves reviewing past performance, learning lessons and analysing what can be done to improve efficiency and value for money. However risk and opportunity management is not consistently well integrated with all key business processes and not necessarily seen as a key driver for change, alignment of risk and opportunity with performance and finance information is considered disjointed. **Greater integration with financial and performance management and reporting at strategic and operational level will strengthen current arrangements, providing Members, Leadership and Management with complete information on which effective decisions can be made.** **Linking finance, performance and risk information into established reporting mechanisms such as the dashboard reports at a strategic and operational level will provide complete, open and transparent information on which effective decisions can be made. Integrating this key information will support the drive to make savings and seek opportunities.**
	Original Management Response to audit 2016
	BA will be looking at HROD model as part of risk management software scope (as detailed in 2 above). Current risks are now linked to the new Corporate Plan Performance Outcomes.
	Audit Observation and Management Update as at March 2018 / **Partially Implemented**
	The MTFS delivery plan had an appendix to the Budget Report 2018/19 that was submitted to cabinet in February 2018 and included an assessment of risk. The risk narrative in the Corporate Performance reports has also been improved. Informed through DMT, this narrative will add value to the quality of risk and performance information provided.

7	**Original Audit Observations, Findings and Opportunities as at October 2016**	
	Programmes and Projects Transformation programmes and associated projects are conducted in accordance with project management principles, this includes the identification, management and review of risks by individual project boards/managers. Each project is assessed and the overall rating of the programme or project (High, Medium or Low) will determine the governance arrangements. Programmes or projects with a 'high' level rating are more likely to receive greater scrutiny and be reported as a strategic risk to project, programme and Corporate Management Teams, who will oversee critical milestones, high risks and issues and overall progress towards achievement of benefits. The remaining 'medium' and 'low' rated projects will be managed through project and programme boards via their defined governance. This is to be commended and recognised as best practice. **There does remain a risk that through transition from project to BAU that risks and opportunities may be missed. Strengthening risk and opportunity management within the business as usual will ensure promised objectives continue to be delivered and improved upon.**	
	Original Management Response to audit 2016	
	Transformation Team do periodically review the Corporate risk register and carry out a gap analysis. The Head of Assurance/Corporate Risk Advisor will be attending Gate Review training in October in order to contribute to the review of programmes and projects and this will help to strengthen the link between Transformation Projects and BAU. Project Server will enable all risks to be stored in one place.	
	Audit Observation and Management Update as at March 2018	**Partially Implemented**
	Key projects and partnerships have developed risk and opportunity registers. Evidence has been obtained that demonstrates new key projects such as the Childrens Social Care joint management arrangement with Torbay Council and Plymouth Highways, have registers in place with overall risks recognised in Plymouth City Councils strategic and/or operational registers. With the dissolution of the Portfolio Office and the move of transformation work back to the business areas it is important that guidance is updated to reflect how project and partnership risk and opportunities are captured and escalated through the appropriate reporting lines.	
8	**Original Audit Observations, Findings and Opportunities as at October 2016**	
	Partnerships More public services are being delivered by, or in partnership with, charities, communities, private and public sector organisations. This shift in the structure of service provision will create significant risks, but also present valuable opportunities. The planned and systematic approach to the identification, analysis and economic control of those risks which threaten the employees, assets, or earning capacity of an organisation will help plan for the right balance between innovation and change and the avoidance of shocks and crises. Although Senior Management are clear about the Partnerships in which they are involved there is no demonstrable evidence that the risks to PCC of working in each partnership have been evaluated. **All the risks need to be evaluated and there should be a common understanding of risk appetite of each partner organisation at the outset. Details of the risks and opportunities relating to partnerships should be included on the relevant service operational risk register or strategic risk**	

	register.
	Original Management Response to audit 2016
	NEW Devon CCG / PCC Integrated Risk Management Framework is in place. A specific RA statement has been drafted for use at a risk register workshop in October. Project Server will enable all risks to be stored in one place.
	Audit Observation and Management Update as at March 2018 · **Partially Implemented**
	Work has been undertaken to embed the Integrated Risk Management Framework for the Partnership between Devon CCG and Plymouth City Council. This has been successful and recognised a good practice. A risk management framework is in the process of being developed in relation to Plymouth Highways, the Partnership between PCC and South West Highways. Development of risk management arrangements around shared services is also underway. The Council's vision for the City includes facilitating partnerships at all levels and connecting communities. It is therefore important the Council have a complete and accurate understanding of the Partnership in which they are involved. A centralise record should be developed that can be shared by management to understand the Councils complete Partnership landscape and the risks and opportunities of those partnerships.
9	**Original Audit Observations, Findings and Opportunities as at October 2016**
	Business Opportunity Although risks are identified and considered routinely, opportunities are not as mechanisms to capture opportunity risk are not sufficiently evolved. If only threat risks are managed then the best outcome that can be expected is to meet the promised objectives but never improve upon them. **Further work should be undertaken to develop the identification, prioritisation and response to start proactively managing opportunity risks.** **Use of SWOT analysis is a good way to identify true opportunities. Prioritisation will be about maximising likelihood and impact scores and responses to be considered could include exploitation and sharing.** **The corporate risk function could support the development and understanding of opportunity management through the delivery of opportunity workshops and development of case studies.**
	Original Management Response to audit 2016
	Possibility for joint DAP/PCC risk workshops for identifying case studies around benefit realisation. Utilising software to store all risks in one place will help to scope opportunities/benefits and provide a gap analysis.
	Audit Observation and Management Update as at March 2018 · **Partially Implemented**
	It is hoped that further development of business planning, performance and risk information will help managers identify opportunities. Opportunities should be taken to ensure Risk Champions and Policy and Performance Officers fully understand opportunity management so that they can

	support the identification of opportunities as part of monthly management meetings. Consideration should be given as to how opportunity information can be captured and utilised in management decision making. This should be a simple process that aligns with embedded planning, risk and performance information recording processes and enable the sharing of information once systems have been developed.
10	**Original Audit Observations, Findings and Opportunities as at October 2016**
	Risk Appetite Risk appetite is the level of risk we are prepared to tolerate or accept in the pursuit of our strategic objectives. It is almost impossible to encapsulate risk profiles and appetites for the whole council due to the diversity of services, previously audit recommended that risk management arrangements could be further strengthened through adapting the Risk and Opportunity Management Framework locally at Directorate/Service level. Although some Senior Management have indicated that risk appetite is considered it has not been possible to demonstrate this and so overall it is considered that the setting and understanding of risk appetite is not yet working effectively. Corporate Risk have recently revised the risk appetite statement that sets out the level of management oversight required depending on the category of risk and residual score. The Integrated Assurance Strategy developed within Transformation further supports this and should be recognised Council wide. This will enable risk and opportunity management to be aligned with governance arrangements, providing appropriate visibility and management at the most appropriate level of the organisation. **The Council needs to revisit their risk profiles and set effective risk appetites at strategic and operational levels. It would be appropriate to consider defining risk appetites for different service areas to make risk management more effective. In deciding this the Council can:** **• More effectively prioritise risks for mitigation.** **• Better allocate resources.** **Considering and setting a risk appetite enables an organisation to increase its achievements by optimising risk taking and accepting calculated risks within an appropriate level of authority.** **Communicating this and setting appropriate risk appetites across the organisation should drive reporting and ensure scrutiny is targeted appropriately. Risk appetites should be regularly reviewed and approved at the appropriate level.**
	Original Management Response to audit 2016
	Risk appetite could be developed further after integrating risk information with financial and performance information within the Project Server. This would provide the risk landscape from which to start adapting local department appetite statements.
	Audit Observation and Management Update as at March 2018 · **Partially Implemented**
	Risk appetite guidance is comprehensive and will enable the development of service specific risk profiles. These have been used successfully to develop specific risk profiles for the new Plymouth Highways service. Risk category scoring provides an indication of the level of risk individual service areas are prepared to tolerate/accept in pursuit of its objectives. As part of the implementation of business planning process opportunities should be taken to further develop service specific risk appetite statements.

11	Original Audit Observations, Findings and Opportunities as at October 2016
	Horizon Scanning Horizon Scanning is undertaken at CMT level but it does not take place enough at DMT level. **Horizon scanning should take place as part of business and financial planning and be further developed as part of finance, performance and risk monitoring routines. Developing a corporate approach through promotion of best practice through the use of case studies will support management to become effective.** **Including risk as a standard agenda item at management meetings will prompt the identification of new and emerging risks, records should be maintained of discussions to ensure that these risks can be revisited and will not be forgotten or lost.** **New and emerging risks and opportunities should be highlighted on risk registers, however these risks should be identified as such and may not have any mitigating controls or action plans due to a lack of initial information. Capturing these risks would allow for monitoring until full details have been received and considered. Once enough information is received a decision can be taken as to whether it transfers to the risk register or can be removed as there is no risk arising. When the risk is confirmed as a risk to service delivery it should then form part of the formal risk register and be managed in accordance with current processes.**
	Original Management Response to audit 2016
	The disjointed business planning process hampers successful horizon scanning – AD for HROD uses the information stored on the Project Server as a business plan – this model could be followed by other departments. Leaving the EU working group are scoping risks as part of a horizon scanning process that links in with corporate process.
	Audit Observation and Management Update as at March 2018	**Partially Implemented**
	Senior Management and Departmental Management Teams performance and risk discussions will feed into the new business planning process. The new business planning process promotes horizon scanning as part of routine cycle of review and update. This has been evident by an increase in the number of changes to risk registers. Monthly management meetings will include the review of key performance indicators and risks this will include the scoping of future risks as well as provide a gap analysis. It is important the identification and evaluation of future opportunities is also embedded into routine management review processes.
12	Original Audit Observations, Findings and Opportunities as at October 2016
	Cost / Benefit of Risk Management Activity Senior Management stated that the cost/benefit of controls and action plans to mitigating risk is considered however demonstrable evidence has not been obtained to determine the effectiveness of this. **Risk information could be further strengthened with the inclusion of action plan for additional controls and an evaluation of the cost/benefit of mitigating controls. There are also opportunities to further drive the risk management process by developing tools that will support the consideration of cost effective mitigation of each risk and determine the realisation of benefits achieved through risk management.**

Original Management Response to audit 2016	
	It is important not to make risk management processes too complicated or time consuming as it may deter managers from doing it – there may be scope to adapt the Project Server to provide some sort of cost/benefit analysis.
Audit Observation and Management Update as at March 2018	**Partially Implemented**
	The risk register template has been revised in line with the 'Three Line Defence ' model to allow for consideration of the level of assurance in place - this should help to determine if there are unnecessary controls in place for an activity. The alignment and streamlining of business planning, financial, performance and risk monitoring processes will enable the consideration of the cost/benefit of mitigation as well as collaboration to identify resulting pressures across the council. The development and roll out of Civica Financials e-budgeting should further support this.

Scope and Objectives

As part of the formal audit planning process it was agreed that this review would follow up on the action taken since the last Internal Audit report in October 2016 and provide Plymouth City Council's Management with assurance on the progress taken to strengthen risk management arrangements

Inherent Limitations

The opinions and recommendations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

Definitions of Audit Assurance Opinion Levels

Assurance	Definition
Driving	Senior management uses consideration of risk to drive excellence through the business, with strong support and reward for well managed risk-taking. All staff are empowered to be responsible for risk management. The organisation has a good record of innovation and well-managed risk-taking. Absence of a blame culture. Clear evidence of improved partnership delivery through risk management and that key risks to the community are being effectively managed. Management of risk and uncertainty is well-integrated with all key business processes and shown to be a key driver in business success.
Embedded and Integrated	Risk management is championed by the Director. The Board and senior managers challenge the risks to the organisation and understand their risk appetite. Management leads risk management by example. People are encouraged and supported to take managed risks through innovation. Regular training and clear communication of risk is in place. Sound governance arrangements are established. Partners support one another's risk management capability and capacity. A framework of risk management processes in place and used to support service delivery. Robust business continuity management system in place.
Working	Senior managers take the lead to apply risk management thoroughly across the organisation. They own and manage a register of key risks and set the risk appetite. A core group of people have the skills and knowledge to manage risk effectively and implement the risk management framework. Staff are aware of key risks and responsibilities. Risk with partners and suppliers is well managed across organisational boundaries. Appropriate resources in place to manage risk. Risk management processes used to support key business processes. Early warning indicators and lessons learned are reported. Critical services supported through continuity plans.
Happening	Board/ Councillors and senior managers take the lead to ensure that approaches for addressing risk are being developed and implemented. Suitable guidance is available and a training programme has been implemented to develop risk capability. Approaches for addressing risk with partners are being developed and implemented. Appropriate tools are developed and resources for risk identified. Risk management processes are being implemented and reported upon in key areas Service continuity arrangements are being developed in key service Areas.
Awareness	Senior management are aware of the need to manage uncertainty and risk and have made resources available to improve. Key people are aware of the need to understand risk principles and increase capacity and competency in risk management techniques through appropriate training. Key people are aware of areas of potential risk in partnerships and the need to allocate resources to manage risk. Some stand-alone risk processes have been identified and are being developed. The need for service continuity arrangements has been identified.

Devon Audit Partnership	**Confidentiality and Disclosure Clause**
The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay and Devon councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards. The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk .	This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies. This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.