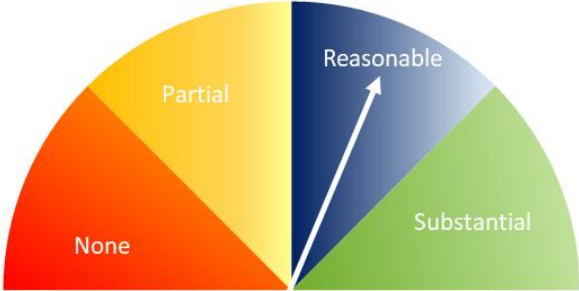


Risk and Performance Management 2018/19

Final Audit Report

Issue Date: 14th November 2018

Executive Summary

Audit Opinion		Recommendation Summary	
	REASONABLE	Priority	Number
	<p>Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.</p>	Priority 1	1
		Priority 2	6
		Priority 3	0
	Total	7	

Audit Conclusion

The Performance and Risk Management team have made significant progress towards revising a robust performance and risk management framework. Much work has been undertaken to improve the processes involved with risk identification, scoring, management and mitigating actions. Although the Council has a consistent approach to performance and risk management, strategic and operational risk registers it does not have up to date and finalised documentation to govern the areas reviewed. However, it is recognised that work in this area had already commenced by the Performance and Risk Management team before the start of the audit and had been delayed due to resources being used to deal with the Salisbury incident. It is planned that this work will be completed in January 2019.

Whilst there were no significant concerns several recommendations have been made in relation to the need to continue to revise the Risk Management Strategy, policies and processes for both performance and risk management and high importance placed on these in order to ensure the framework continues to move forward. It has been agreed that the Performance and Risk Management team will continue to liaise and work with Internal Audit going forward to ensure the recommendations are addressed.

One Priority 1 recommendation was made in relation to the requirement to complete the planned review of and finalise the Risk Management Strategy. High importance was placed on this recommendation and agreed to ensure appropriate resources are committed to meet the required timescale of January 2019. The remaining six Priority 2 recommendations relate to more specific areas of the above documentation and provide guidance on information which should be included alongside the revisions already planned.

Background

Risk Management is a key aspect of assurance and governance. It is one of the '2nd Lines of Defence' alongside; Financial Control; Security; Inspection; Compliance etc. Organisations that demonstrate and operate under a structured and active risk management approach are more likely to be able to focus upon their key priorities and outcomes and, in doing so, take informed decisions. As such, the Council's 'maturity' in terms of its risk management arrangements, is fundamental in determining the degree of reliance that can be placed upon its risk management's arrangements.

Within the International Framework of Good Governance, risk and performance management is identified as a key component within Principle F as follows:

Managing risks and performance through robust internal control and strong public financial management.

The governing bodies of public sector entities need to ensure that the entities they oversee have implemented—and can sustain—an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. They consist of an ongoing process designed to identify and address significant risks involved in achieving an entity's outcomes.

Performance and Risk Management are Corporate functions and ownership for performance and risk sits at a Corporate level. Risk registers are maintained at Corporate and Service level. The Corporate risk register contains significant corporate risks, composite risks and national risks. Composite risks are risks which have been identified as affecting 2 or more individual services. Operational risk registers are maintained for services to identify risks in relation to the individual service. Risks are identified through services own procedures (including the required monitoring), through programme management and through the service planning process.

Performance measures are identified within the service planning process. These measures are compiled to form a Corporate Performance Framework that identifies how the specific aims of the council's business plan are to be measured. Measures are updated by service specialists and reports detailing progress against the business plan are produced by the Corporate Performance and Risk Team for sign off for approval at Corporate Director level and approval by Cabinet

Performance and risk management within the Council has been through a period of significant change, following restructuring, previous audits and a recent Corporate Peer Challenge in order to enhance the processes in place. Now, after embedding the processes across the Council the overarching governance documentation is being revised to ensure it reflects the performance and risk management in practice across the organisation.

Corporate Risk Assessment

Objective

Effective Risk Management forms a key aspect of assurance and governance for Wiltshire Council. Organisations which can demonstrate and operate under a structured and active risk management approach are far more likely to be able to focus upon their key priorities and outcomes and, in doing so, take informed and robust decisions. As such, the organisations 'maturity' in terms of its risk management arrangements, and internal audits own subsequent independent assessment of this level of maturity, is fundamental in determining the degree of reliance that can be placed upon its effectiveness.

Performance management is an essential element of the governance framework which provides a transparent platform upon which the Council is accountable to its citizens and service users for the effectiveness of its service provision and delivery of its published objectives. To be effective, the performance management framework needs to provide accurate and timely information to facilitate informed and transparent decision making and prompt corrective actions where service delivery strategies appear not to be achieving their intended outcomes.

Risk	Inherent Risk Assessment	Manager's Initial Assessment	Auditor's Assessment
1. Risk and Performance Management arrangements are not effective leading to uninformed decision making and unforeseen exposure resulting in failure to achieve key priorities and objectives.	High	Medium	Medium

Scope

The audit of Risk and Performance Management was originally included in the annual internal audit plan for quarter 2. However, at the request of the area due to this was deferred and planned for quarter 4 as they are in the process of revising the Performance and Risk Management documentation which has been delayed due to resources being required for the Salisbury incident and this is reflected in this audit. CLT requested in September that the audit go ahead. The Terms of Reference for the audit were agreed on the 17th October and the audit fieldwork commenced immediately.

It was agreed that the audit would provide context and background information for the Audit Committee to provide them with further information on performance and risk management arrangements within the Council.

Findings and Outcomes

Summary of Control Framework

Risk Management Strategy and Governing Documentation

The Performance and Risk Management team have made significant progress towards revising a robust performance and risk management framework. Much work has been undertaken to improve the processes involved with risk identification, scoring, management and mitigating actions. Although the Council has a consistent approach to performance and risk management, strategic and operational risk registers it does not have up to date and finalised documentation to govern the areas reviewed.

However, at the time of audit, we were only able to review a draft Performance and Risk Management policy alongside revisions to the Risk Management Strategy from 2014. Recommendations regarding completing the overall governance documents have been made but we recognise that it has been delayed due to resources being focused on the Salisbury incident.

Risk Appetite

In line with the creation of the Performance and Risk Management policy we were advised that the Risk Appetite is being reconsidered and instead of having just one single appetite level (currently documented as risks scoring below 12) consideration will be made for having appetite levels set for different types of risk. As with the Strategy this has been delayed due to other priorities but is planned to be completed by January 2019.

Risk Registers

The Council has a Strategic risk register and interlaced Operational risk registers are in use across the Services. The strategic risk register contains, significant corporate risks, composite risks and national risks. The Cabinet member with responsibility for Performance and Risk Management works closely with the area to provide support and oversight of the processes. The strategic risk register is reported to Cabinet on a quarterly basis and a Performance Management and Risk Outturn Report is compiled to provide context, National risks are reported to Cabinet once per year as they remain fairly static in score.

There has been support provided by the Performance and Risk Management team, and involvement from the responsible Cabinet Member, to ensure that operational risks are appropriately identified, defined and measured and mitigating actions are not existing controls (this was identified in a previous audit and a recommendation made that this was reviewed).

Corporate Performance Framework

There is a "Golden Thread" between the Council's Business Plan, the Corporate Performance Framework, Service plans and individual development plans. Following the Healthy Organisation review the Council has created a single repository using SharePoint to hold all risk and performance information. This allows the Performance and Risk Management team to collate and review all data for reporting. It was reported that there is much greater consistency across the organisation for recording and reporting risk and performance data.

Director Scorecard Meetings

Performance and risk measures are discussed and challenged at Director scorecard meetings with the responsible Cabinet leads, Portfolio Holders, the Corporate Director and Directors.

Reporting and Transparency

The Financial Planning Task Group reviews Performance and Risk information on a quarterly basis prior to being presented to Cabinet.

The Council's strategic risk register is a publicly available document. However as there is no guidance published to support this, as the current strategy is being revised and redrafted as a Performance and Risk Policy, the Council are not providing sufficient information to inform the public of the Council's approach to managing risk.

Performance measures are reported using a standardised template (note that these have been changed for some services to allow alignment with statutory reporting requirements) and owners and/or responsible officers are identified for each measure. Performance reporting is completed on a quarterly basis at which point all information is available for challenge. Key areas are contained in the Performance Management and Risk Outturn report to Cabinet.

Integrity of Performance Data

Performance Management data accuracy is the responsibility of the individual services. For both risk and performance information the Performance and Risk Management team complete a sense check of the data to ensure any anomalies are investigated prior to reporting to Cabinet.

1. Risk Management arrangements are not effective leading to uninformed decision making and unforeseen exposure resulting in failure to achieve key priorities and objectives.

Medium

1.1 Finding and Action

Issue	Risk
There is no clearly defined and up to date Risk and Performance Management governance documentation.	Risk Management Framework is not defined leading to a lack of information on effective risk management resulting in failure to achieve key priorities and objectives.

Findings

Following a period of change in the processes involved in risk and performance management it has been recognised that the existing Risk Management Strategy (2014) requires updating.

It is planned that a Performance and Risk Policy will replace the previous strategy document and be finalised and considered in January 2019. The Performance and Risk Management team have made significant progress towards revising a robust performance and risk management framework. Much work has been undertaken to improve the processes involved with risk identification, scoring, management and mitigating actions.

Although the Council has a consistent approach to performance and risk management, strategic and operational risk registers it does not have up to date and finalised documentation to govern the areas reviewed. However, it is recognised that work in this area had already commenced by the Performance and Risk Management team before the start of the audit.

On review of the draft documentation provided and given the limited time in which the Council has to finalise new documentation the Performance and Risk Management team should continue updating the 2014 Risk Management Strategy to include the following areas some of which we were advised are already planned but had not yet been documented in the draft revisions:

- Version control;
- Contents Page;
- Role of Audit Committee (in line with revised Audit Committee Terms of Reference);
- Role of Cabinet (expand);
- Include annual review of policy under role of Strategic Risk Management Group;
- The Council's risk appetite (it is recognised that this is under review);
- The Council's approach to embedding risk management;
- The Council's culture e.g. learn from events, avoid blame, transparency, honesty; and
- Links to performance management, service planning and the Council's business plan.

This strategy will then form a solid basis on which to pin a Performance and Risk Policy and/or subsequent guidance of which most is already in existence and will require minor amendments to reflect the current processes.

Recommendation

The Council should continue to update the 2014 Risk Management Strategy to reflect the current risk management framework and enable effective risk management and seek guidance over a final draft from SWAP Internal Audit.

Priority Score

1

Agreed Action

Timescale

By: January 2019

Review the most appropriate document set for Performance and Risk Management.
 Produce draft policy or strategy.
 Allow review of that draft by Audit Committee and Scrutiny.
 Have the document approved by the council's leadership.
 Implement those changes not yet in place.

Responsible Officer

John Rogers
 Toby Eliot

1.2 Finding and Action		
Issue	Risk	
The risk appetite has not been given appropriate consideration and has not been appropriately documented.	Risk appetite is not defined leading to a lack of information on effective risk management resulting in failure to achieve key priorities and objectives.	
Findings		
<p>The Council does not have up to date documentation to support a risk appetite. The risk appetite in the 2014 Risk Management Strategy remained unchanged since 2011. There is no evidence that the risk appetite has been scrutinised for appropriateness.</p> <p>Whilst there is a documented risk appetite (below 12) there is no evidence that this has been appropriately considered and scrutinised. Discussions with the Corporate Support Manager identified that there is a plan to have the Risk Management Strategy Group review the risk appetite and consider the need to set a range of risk appetites in relation to specific risk categories.</p> <p>Once the risk appetite has been reconsidered, the Council should consider drafting a risk appetite statement for consideration and approval by Audit Committee and Cabinet. Furthermore, the Council should consider the need to also document the risk tolerance level to ensure that those which sit outside of this tolerance are given significant attention to determine whether immediate action needs to be taken such as terminating the activity related to such risks.</p>		
Recommendation		
As planned the Council should revisit and review the risk appetite and determine the need for different appetites for risk categories to ensure that Officers can effectively manage and monitor the risks within their areas and risks are escalated accordingly. Revisions to the risk appetite should be documented in a timely manner.	Priority Score	2
Agreed Action	Timescale	By: January 2019
Ensure process for setting and reviewing corporate appetite is defined in governance documents. Initiate the Risk Management Strategy Group and recommend a set of risk appetites to be approved by the Council's leadership.	Responsible Officer	John Rogers Toby Eliot

1.3 Finding and Action		
Issue	Risk	
The Council's risk management processes are not transparent.	Risk management within the Council is not transparent leading to uninformed decision making and failure to achieve key objectives.	
Findings		
<p>The Council publishes its strategic risk register on a quarterly basis and is available to the public through Cabinet papers. The Performance Management and Risk Outturn report provides information on key areas aligned to the Council's Business Plan and therefore does not discuss each risk in detail. As the current strategy and risk appetite requires updating there are no documents which inform the reader of the strategic risk register (either internal employees or external members of the public) of the Council's approach to risk management and governance arrangements.</p>		
Recommendation		
After completing the revision of the Risk Management Strategy and Risk Appetites the Council should ensure that these documents are published internally on the intranet and are made available where appropriate to the public to inform of the Council's approach to risk management.	Priority Score	2
Agreed Action	Timescale	By: January 2019
Create a standard guide and introduction to reading the council published risk register and publish with the risk register.	Responsible Officer	Toby Eliot

2.	A lack of accurate and timely information will not facilitate clear monitoring of informed and transparent decision-making processes or of any prompt or corrective actions taken where service delivery strategies appear not to be achieving their intended outcomes.	Medium
-----------	--	---------------

2.1 Finding and Action		
Issue	Risk	
The Performance and Risk policy does not state the need for using performance information to inform future policies, strategies and key initiatives.	Performance information is not used to inform future policies, strategies and key initiatives resulting in poor decision making.	
Findings		
The Performance and Risk Management policy is still in draft format and under construction therefore it was not possible at the time of audit to determine the Council's expectations in relation to whether performance information is used to inform future policies, strategies and key initiatives. We were advised that project plans and business cases have a section for performance measures. The Council should ensure that it clearly defines this expectation and provides guidance for this in practice.		
Recommendation		
The Council should ensure that performance information is utilised to assist in the process of informing policies, strategies and key initiatives.	Priority Score	2
Agreed Action	Timescale	By: March 2019
Define how, where and by who performance information should be used within the Performance and Risk Strategic documentation.	Responsible Officer	John Rogers Toby Eliot

2.2 Finding and Action		
Issue	Risk	
Targets for performance measures are not clearly defined.	Performance measures do not have clear targets defined resulting in poor performance reporting, ineffective oversight and poor decision making.	
Findings		
<p>From the information provided it is apparent that there are solid foundations within the performance reporting process to facilitate effective and regular challenge although it is acknowledged that there are time constraints prior to the Performance and Risk Outturn report being submitted to Cabinet. The Council should consider listing clear targets against performance measures to ensure that performance can be effectively scrutinised and under performance substantiated. The recommendation below was also made as part of the Healthy Organisation review and it is recognised that the Council has been undertaking substantial work to ensure that targets are clearly identified.</p>		
Recommendation		
The Council should ensure that clear targets are listed against performance measures to allow performance to be substantiated and to assist the Council in making informed decisions.	Priority Score	2
Agreed Action	Timescale	By: April 2019
<p>For much of the performance information collected a target is not appropriate.</p> <p>The corporate Performance and Risk Team have created a methodology for generating a calculated assessment of each measure collected. The calculation can be made based on a variety of criteria and with different tolerances. The assessment calculation is set at the time the measure is defined.</p> <p>The updated Performance and Risk Strategic documentation will require every measure to have a set assessment calculation specified by its owner. These assessments will then be available when performance information is reported.</p>	Responsible Officer	Toby Eliot

2.3 Finding and Action		
Issue	Risk	
Responsibility for data integrity is not documented.	Responsibility for the integrity of data reported is not appropriately defined resulting in a lack of accurate information to assist the Council to make informed decisions.	
Findings		
Information comes from a wide variety of sources and this makes it difficult for the Performance and Risk Management team to check accuracy. The team provide a sense check of data to look for any anomalies. Services are responsible for ensuring the information they have reported is accurate and the Director is required to sign off this data on a quarterly basis therefore being accountable for the data reported. The Performance and Risk policy should document the relevant role(s) responsibility and accountability for data integrity within.		
Recommendation		
The Council should ensure that the responsibility for data accuracy in relation to reporting on performance measures is clearly defined in the Performance and Risk Management policy and/or individual job profiles to ensure there is accountability for the information presented to allow the Council to make informed decisions.	Priority Score	2
Agreed Action	Timescale	By: March 2019
The updated Performance and Risk Management strategic documentation will identify the specific roles in the council who have responsibility for data integrity in relation to performance and risk information. We will have a discussion with the council's HR department about the possibility of identifying that responsibility within role descriptions.	Responsible Officer	John Rogers Toby Eliot

2.4 Finding and Action		
Issue	Risk	
No overarching documentation defining the Council's Performance Management arrangements.	Governance arrangements for performance management are not appropriately documented resulting in a lack of transparency over how performance will be managed within the Council.	
Findings		
The Council does not have a finalised document which defines the governance of performance management. There is a draft Performance and Risk policy which is due to be finalised and presented for approval in December. We have recommended above in 1.1 that the Council revisit the existing strategy, due to time limitations, and include a section on performance management arrangements.		
Recommendation		
As planned the Council should ensure that there is appropriately documented governance arrangements to enhance the Corporate Performance Framework to increase transparency and allow effective management of performance within the Council. This should be completed in a timely manner.	Priority Score	2
Agreed Action	Timescale	By: January 2019
Governance and responsibilities will be defined in the new Performance and Risk Management strategic documentation.	Responsible Officer	John Rogers Toby Eliot

Audit Framework and Definitions

Assurance Definitions

None	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

Definition of Corporate Risks

Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Categorisation of Recommendations

In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:

Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Authors and Distribution

Please note that this report has been prepared and distributed in accordance with the agreed Audit Charter and procedures. The report has been prepared for the sole use of the Partnership. No responsibility is assumed by us to any other person or organisation.

Report Authors

This report was produced and issued by:

David Hill	Director
Ian Withers	Assistant Director
Becky Brook	Senior Auditor

Distribution List

This report has been distributed to the following individuals:

Corporate Leadership Team
Audit Committee Members

Robin Townsend - Director of Corporate and Digital
John Rogers - Head of Customer Insight, DA & Business Improvement
Toby Eliot, Corporate Support Manager