AUDIT COMMITTEE 01 11 06
ITEM 7

INTERNAL AUDIT REVIEW OF OPERATIONAL RISK REGISTERS

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1.0 INTRODUCTION

1.1 Risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies. Risk management is the process by which risks are identified, evaluated and controlled and is a key element of the framework of governance.

1.2 An authority should, therefore, be able to demonstrate that risk management has been embedded in its corporate business processes. At service or departmental level, service managers need to be able to identify and manage those operational risks that could prevent or disrupt the delivery of services to users. These risks will change over time and, therefore, need to be continually monitored and updated. Actions need to be identified to manage these risks.

1.3 Operational risk registers were introduced in 2005/06 and the 2006/07 performance monitoring procedures require that managers review and update their operational risk registers with their Head of Service, in line with the performance monitoring timetable. The risk register is meant to be a tool which helps the manager to monitor and manage risk and to evidence that risk management is part of the management process.

1.4 To comply with the CIPFA Code of Practice for Internal Audit, internal audit was required to follow up the introduction of operational risk registers, review these risk registers and report on them to members.

2.0 AUDIT FINDINGS

2.1 At the end of July, following the July performance monitoring meetings, internal audit evaluated copies of the risk registers maintained by managers. These were reviewed alongside the 2006/07 service plans, to ensure that all risks associated with the 2006/07 key objectives had been identified, had been included in the operational risk register and were being addressed.

2.2 Detailed findings by department are shown in Appendix A. A summary is given below:-

Good practice:

- The service plan format "prompts" managers to identify risks attached to key objectives.

- Operational risk registers did include the necessary detail re identifying the risk - description of the risk, the impact, the probability, action taken to manage the risk, the person responsible for managing the risk and the level of risk remaining.
[An example of an operational risk register is shown at Appendix B]

- Some departments had regularly reviewed and updated their risk registers.

Areas for improvement

- Despite the service plan format "prompting" managers to identify risks attached to key objectives, this was not done by all departments.
- In most cases, the risks identified in the risk register could not be clearly linked to the key objectives in the service plan. The link would be clearer if the risk number from the register was included in the service plan risk description.
- Where the risk score was high, the action needed did not always appear to take account of the priority that needed to be given to managing this risk . The same risk score and action was carried forward at the next update of the register.
- Some risk registers were 6 months out of date.
- In some cases, risks identified in the service plan had not been included in the operational risk register.

3.0 CONCLUSION AND RECOMMENDATION

3.1 Whilst the procedures to include risk management in the performance management system are in place, in practice they are not yet consistently effective across departments. In order to demonstrate good corporate governance, managers not only need to identify and manage risks relating to their activities but also need to document this process. Progress will continue to be monitored as part of the audit of Corporate Governance in 2006/07.

3.2 It is recommended that Members note this report.

Appendix A Evaluation of Operational Risk Registers
Appendix B Example of an Operational Risk Register

Officers Consulted: Corporate Team

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