Causeway Coast and Glens Borough Council

Internal Audit Report
Risk Management

September 2021

MOORE

INTERNAL AUDIT REPORT

Risk Management

Executive Summary

This internal audit was completed in accordance with the approved annual Internal Audit Plan for 2021/22. This report summarises the findings arising from a review of Risk Management which was allocated 7 days.

Through our audit the following was noted:

- A Risk Management Strategy is in place which contains key definitions relating to risk management; sets out the roles and responsibilities across Council in relation to risk management; and contains the main elements of a risk management process
- A Corporate Risk Register is in place, which is managed centrally and reported quarterly to the Audit Committee.
- The use of Directorate and Service level risk registers is not yet embedded across Council.
- An attempt was made, by Audit, to assess the risk maturity of Council using a scale ranging from Risk Naïve to Risk Enabled (see Appendix IV). This Matrix was developed by the Chartered Institute of Internal Auditors (IIA). Such an assessment is not an exact science and involves an element of subjectivity. However it is felt that Council sits somewhere between being Risk Aware and Risk Defined. This sits in the middle of the risk maturity scale. The more mature the risk management system, the more effective it will be in enabling better decisions, taking the right risks, and achieving better outcomes for the organisation. Based on this assessment and the findings of the audit review more work is required to improve Risk Management.

The following table summarises the total number of findings/recommendations from our audit:

Risk	Number of recommendations & Priority rating		
	1	2	3
There may be an unsupportive internal environment in relation to risk management, leading to a poor culture of risk management and increased risk that Council risks will not be managed effectively	-	2	1
It may be that risks are not identified and assessed consistently at both corporate and service level and are not linked to corporate and service objectives and priorities	-	2	-

Risk	Number of recommendations & Priority rating		
	1	2	3
leading to potential non-achievement of Council business objectives			
There may be no mechanism in place to monitor, review and report progress of actions which have been identified to mitigate risks, leading to the risk of mitigating actions not being implemented or potential new Council risks going unnoticed	-	1	1
Total recommendations made	**0**	**5**	**2**

Based on our audit testing we are able to provide the following overall level of assurance:

Limited	There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

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Distribution:	Audit Committee Chief Executive Director of Corporate Services Audit Risk and Governance Manager
	September 2021

All matters contained in this report came to our attention while conducting normal internal audit work. Whilst we are able to provide an overall level of assurance based on our audit work, unlike a special investigation, this work will not necessarily reveal every issue that may exist in the Council's internal control system.

1 Objective

The areas for inclusion in the scope of the audit were determined through discussion with management. The scope of this audit is to review the arrangements in place within the Council in relation to risk management, focusing on the main risks associated with:

- General arrangements
- Identifying and assessing risks (Corporate and Service levels)
- Reducing risks (Corporate and Service levels)
- Monitoring, review and reporting processes

The audit focus was primarily on the structures and processes used in risk management rather than being an assessment of the risks identified. The audit did, however, attempt to assess the risk maturity of Council using a scale ranging from Risk Naïve to Risk Enabled (see Appendix I). Risk management maturity models are an excellent way for organisations to see where they are, compare their current state to where they want and need to be if they are to derive full benefit, and discuss the value and cost of further investment in the management of risk. The more mature the risk management system, the more effective it will be in enabling better decisions, taking the right risks, and achieving better outcomes for the organisation.

2 Background

Risk Management describes all of the activities required to identify and control exposure to risk which may have an impact on the achievement of an organisation's objectives. It is important that the Council has a risk management framework in place to enable the risk management process to be carried out and to ensure all significant risks are identified, evaluated, controlled, monitored and reported in accordance with good practice.

The COSO (Committee of Sponsoring Organisations) "Enterprise Risk Management – Integrated Framework" (2013) is one of the most influential frameworks in relation to risk management globally. The COSO framework identifies three categories of objectives; operations, reporting, and compliance, and consists of five integrated components of internal control:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring activities

Each of these categories and components must operate effectively in order for risk management to be fully embedded across an organisation.

Causeway Coast and Glens Borough Council recognises risk management to be an essential part of its corporate governance arrangements and a Risk Management

Strategy was approved in October 2015 (and reviewed at Audit Committee in June 2017). The strategy contains the key elements of a risk management process. This process involves:

- Identifying risks to achieving the Council's objectives at the corporate level and Directorate/Service level.
- Prioritising these in terms of potential impact and likelihood of occurrence.
- Ensuring that appropriate controls and actions are taken to mitigate the identified risks; and
- Monitoring and reporting.

The strategy lays out the key responsibilities for risk management within Causeway Coast and Glens Borough Council. The Director of Corporate Services has operational responsibility for risk management particularly in relation to:

- Exercising oversight of the staff of Council responsible for the management of risk within the organisation.
- Providing assurance to Councillors that all identified risks are being managed.
- Providing SLT with regular briefings on all aspects of risk management
- Ensure the Risk Register is updated when new risks are identified and notified or when a change in circumstances concerning risks already in the register are notified to the Risk Management Co-Ordinator or Head of Service.
- Agree the ownership and management of risks.

Management is responsible for the identification and management of risk. The strategic leadership Team (SLT) are responsible for ensuring the development and reviewing of risk registers and action plans, at both Corporate and Service Level and for providing annual assurance statements that controls are operational at the service level.

3 Risks

The risks identified by Internal Audit relating to risk management and agreed with management are as follows:

1. There may be an unsupportive internal environment in relation to risk management, leading to a poor culture of risk management and increased risk that Council risks will not be managed effectively
2. It may be that risks are not identified and assessed consistently at both corporate and service level and are not linked to corporate and service objectives and priorities leading to potential non-achievement of Council objectives
3. There may be no mechanism in place to monitor, review and report progress of actions which have been identified to mitigate risks, leading to the risk of mitigating actions not being implemented or potential new Council risks going unnoticed

4 Audit Approach

Our audit fieldwork comprised:

- Documenting the systems via discussions with key staff
- Consideration of the key risks within each audit area
- Examining relevant documentation
- Carrying out a preliminary evaluation of the arrangements and controls in operation generally within the Council
- Testing the key arrangements and controls
- Testing the completeness and accuracy of records.

The table below shows the staff consulted with and we would like to thank them for their assistance and co-operation.

Job title
Director of Corporate Services
Director of Leisure and Development
Director of Environmental Services
Interim Director of Finance
Head of Planning
Chief Finance Officer
Head of Community & Culture
Head of Tourism and Recreation
Acting Head of Organisational Development & Human Resources
Head of Policy & Community Planning
Head of Performance
Head of Capital Works & Infrastructure

5 Findings and Recommendations

This section of the report sets out our findings in relation to control issues identified and recommendations. A summary of all the key controls that we considered is included in Appendix III to this report.

5.1 Risk 1 – Framework and Culture for Risk Management

ISSUE 1 – Risk Management Framework
a) Observation- From the assessment of the Risk Maturity of Council, using a model developed by Chartered Institute of Internal Auditors (IIA), we feel that Council is between Risk Aware and Risk Defined which is in the middle part of the risk maturity model.

A Risk Management Strategy is in place and contains key definitions, outlines responsibilities, and contains the key steps for a risk management process.

Section 4.2 of the risk management strategy refers to Directorate/Service level risk registers. The risk management strategy also states that SLT must ensure the following occurs “develop and review risk registers and action plans, at both Corporate and Service Level”.

Our testing and discussion found that the process of risk assessment and management is not yet being consistently applied at all levels of the Council:

- A Corporate Risk Reister is in place
- Directorate Risk Registers are in place
- Not all service levels have risk registers in place

There is currently a lack of understanding by some Council officers as to the level at which risk registers are required.

The Corporate Risk Register is being reviewed and updated quarterly and reported to Audit Committee. However, we found from discussions with officers and our testing that there is an ad hoc and inconsistent approach to Risk Management practice at the lower levels of Council i.e. updated risk registers are not in place for all service areas, there is an inconsistent review of service level risk registers and there is no formal evidenced review of mitigating actions which are identified to reduce risk.

Audit observed that there may be operational areas where specific risks exist which do not have risk registers or where the risk is not reflected in existing Service level or Directorate risk registers. Examples of such possible risks include succession planning or resource issues in the payroll team, risks related to the grant funding unit and risks related to legal services.

The current version of the Risk Management Strategy makes it clear that every employee of Council has an individual responsibility to:

- Maintain an awareness of risk factors in their workplace.
- Participate in risk management education and training.
- Assist in risk assessments particularly within their own work area

Outside of the Risk Management Strategy additional guidance is available for employees on performing risk assessments and risk assessment training is periodically offered to staff. Audit was also advised that all major projects are risk assessed however discussions with officers across a number of service areas revealed they were not aware of any documented guidance on risk management at the project level.

It is not necessary for all risks to appear on an operational (service level) risk register, for example most project risks can be managed at the project level. However some project risks or risks identified through health & safety risk assessments or during day-to-day working may be significant enough that they should be included in operational level risk registers. Employees must have some guidance as to when they should consider inclusion of risks identified during their day-to-day work, on an operational (service level) risk register. Existing Council guidance does not make it clear to employees how they can ensure risks identified

during regular activities or because of risk assessments are recorded on the operational level risk registers where it is necessary.
b) Implication- A consistent framework to support risk management is not yet fully established which leads to an increased risk that Council risks will not be managed effectively.
c) Priority Rating- 2
d) Recommendation- To promote consistency in the risk management process and promote a greater embedding of risk management, SLT should: a. Ensure that service level risk registers are put in place and are reviewed and updated. b. Ensure all key operational areas and associated risks are covered by the service level risk registers e.g. grant funding unit; legal services; succession planning c. Ensure the preparation of a flow-chart or summarise the risk management procedure steps and deadlines in a short 1–2-page document for distribution to ALL staff. This document should remind ALL employees of their responsibility for risk management and explain what they should do if they become aware of significant risks through project risk assessment, other risk assessment, or in any other manner and how to ensure these appear on the relevant risk register where necessary d. Assign 1 person within each service area to be responsible for coordinating the creation & review of each operational level risk register and obtaining information on risk across the service area.
e) Management Response **Agree to the recommendations listed above, subject to a dedicated resource to progress.**
f) Responsible Officer & Implementation Date- Director of Corporate Services December 2022

ISSUE 2 – Risk Management Training
a) Observation- Initial risk management training was provided to most Directors and Heads of Service approximately 4 years ago. As noted in Issue 1 risk assessment training is periodically offered to staff. Audit was advised that a number of officers in the Capital Works Team have received Prince2 project management training which would cover risk management in relation to projects.
b) Implication- In the absence of widespread training on and awareness raising of responsibilities for risk management, the culture of risk management (which includes clear identification of, recording of and awareness of accountability for and ownership of specific risks and risk areas) is still not embedded within Council. This leads to an increased risk that Council risks will not be identified and managed effectively.

c) Priority Rating- 2
d) Recommendation- Risk management practices should be promoted to support the embedding of a culture of risk management across the Council. Consideration should therefore be given to the need for additional awareness raising and training in relation to the Risk Management Strategy and process. This is necessary to ensure that all employees understand how the use of risk assessment at project level, risk assessments in other areas and an awareness of risk in the workplace can feed into a relevant risk register, if the risk is significant.
e) Management Response **Agree to the recommendations listed above, subject to a dedicated resource to progress.**
f) Responsible Officer & Implementation Date- Director of Corporate Services December 2022

ISSUE 3 – Risk Appetite
a) Observation- Council does not have a documented Risk Appetite. Government's Orange Book (Management of Risk, Principles and Concepts) advises that public sector organisation continually assess the risks it is willing to take to achieve its objectives. It states that "public sector organisations cannot be culturally risk averse and be successful". The Orange Book makes it clear that a balanced approach to risk and opportunity is required. In simple terms Risk Appetite is defined as the level of risk with which an organisation aims to operate; or "the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives". Risk Appetite statements outline optimal and tolerable risk positions as opposed to the risk level at which an organisation is currently operating. Most organisations will have different risk appetites for different aspects of their work. For example, a Council may have zero risk appetite for health & safety and zero risk appetite for fraud & corruption but be more willing to take risks in more innovative areas. There may also be different risk appetites at different levels of the organisation.
b) Implication- In the absence of a documented defined Risk Appetite there is a risk that officers making decisions may not understand the degree to which they (individually) are permitted to expose Council to the consequences of an event or situation.
c) Priority Rating- 3

d)	**Recommendation**- Council should assess and document it's Risk Appetite and ensure that all officers and staff involved in risk management are aware of this. As Council is currently at the medium stage of risk maturity and still developing its risk culture, the method used to define a Risk Appetite should be appropriate and simple. A very technical approach would be counterproductive at this stage.
e)	**Management Response** **Agree to the recommendations listed above, subject to a dedicated resource to progress**
f)	**Responsible Officer & Implementation Date- Director of Corporate Services December 2022**

5.2 Risk 2 – Consistent Identification of Risks Linked to Objectives

ISSUE 4 – Linking Risk Management to Corporate and Business Planning	
a)	**Observation-** One of the aims of the Risk Management strategy is to – "Provide a framework that enables Causeway Coast and Glens Council to achieve its strategic objectives in a consistent and controlled environment". Section 5 of the Risk Management Strategy states – "A strategic approach to risk management depends on identifying risks against key organisational objectives" Not all of the Risk Registers prepared within Council provide information on how key organisational objectives have been considered when identifying risks. The Directorate level corporate risk register contains a column 'Aligned Corporate Objective' which should be completed for each risk identified, and this has largely been completed. From our testing of the Directorate and Service level risks registers we sampled we found that some, but not all, had columns within their risk registers for recording alignment to corporate objectives. This column was not consistently completed in all risk registers reviewed. We noted that Directorate Annual Business Plans include Strength, Weakness, Opportunity and Threat (SWOT) and Political, Economic, Social, Technological, Environmental and Legal (PESTEL) analysis. This analysis helps identify areas of risk and creates a linkage between the business planning cycle and risk management. Audit notes that reference to risk registers is now included in the Annual Business Plans for some service areas but, again, not consistently. This approach is not sufficient to ensure appropriate integration of risk assessment and corporate and business planning.

b) Implication-
In the absence of clear and consistent linkage between risk management and corporate and business planning there is an increased risk that risks to achievement of Council objectives are not properly identified and managed effectively.

c) Priority Rating- 2

d) Recommendation-
Risk Management must have a process to review Council's strategic objectives to draw out the risks that are materially relevant to them.

The Corporate Risk Register should make it clear that all Corporate Objectives have been considered in the identification of risk.

In the development of directorate/service operational Risk Registers, the risks relating to the achievement of operational objectives (outlined in the Directorate/Service level Annual Business Plans) must be considered.

To ensure the linkage between risk management and strategic objectives is managed a comprehensive review of the Corporate and Business objectives should take place annually to identify if all related risks to the achievement of the objectives are included in the relevant risk registers. This review should be documented. For Corporate level objectives this could form part of the annual review of progress against the Corporate Plan (which Council has undertaken to perform). For Business level objectives this could form part development of the upcoming year's Business Plan (and a review of the previous year's Business Plan).

The Business Plan format should be reviewed to determine how to better reflect risk management, perhaps this could be done by including a summary of the outcome of the review of objectives and the risks identified.

e) Management Response
Agree to the recommendations listed above, subject to a dedicated resource to progress

f) Responsible Officer & Implementation Date- Director of Corporate Services December 2022

ISSUE 5 – Escalation of Risks

a) Observation-
As noted earlier, risk registers are not consistently in place across all service areas. We found from our discussions with officers that a fully developed process of reviewing existing (directorate/service level) risk registers is yet to be established, implemented, and review results recorded. Where Service level risk registers do exist there is variation in the frequency of review of these – ranging from quarterly to annually.

We found that there is no clearly documented procedure to ensure that significant service level risks are considered for escalation to the corporate risk register.

b) Implication- If risk registers are not in place at all appropriate levels within Council, and not reviewed on an ongoing manner there is an increased risk that a significant or cross-cutting operational risk is not elevated to the Corporate Risk Register and not managed appropriately.
c) Priority Rating- 2
d) Recommendation- During compilation and ongoing review of directorate/service level risk registers the need to escalate any operational risks from the Directorate/Service level to the corporate level, should be considered and the outcome recorded. The process for escalating to the Corporate Risk Register needs to be outlined in the Risk Management Strategy and any supporting procedures drawn up (as a result of the recommendation for additional documented guidance in Issue 1).
e) Management Response **Agree to the recommendations listed above, subject to a dedicated resource to progress**
f) Responsible Officer & Implementation Date- Director of Corporate Services December 2022

5.3 Risk 3 – Monitoring and Review of Risk Management

ISSUE 6 – Monitoring and Review
a) Observation- The Risk Management Strategy sets out that risk registers (corporate and directorate/service) should be reviewed monthly. However, formal monthly reviews of the risk registers may not be appropriate at all levels. The risk management strategy also requires all changes to the risk registers to be documented to facilitate audit of the risk management process. We noted that there are formal discussions of the corporate risk register by SLT supported by a process of obtaining updated Directorate level Risk Registers quarterly, in advance of the Audit Committee. Audit testing revealed that SLT discussion and review of the corporate risk register is documented in the SLT minutes. We were advised that risks are discussed at Directorate level via regular management team meetings. However we note that this process varies across service areas and directorates and is not always documented. This leads to a lack of audit trail to evidence risk register review and of monitoring of progress of actions to reduce risk.

b) Implication-
Inconsistency in reviewing risk registers could lead to mitigating controls and actions not being implemented or a potential new risk not being assessed. Additionally, formal monthly reviews of risk registers may be too frequent in some cases and may lead to the perception of a 'risk management bureaucracy', where risk management is seen as only completing a risk register document, rather than this being considered a tool to support effective risk management.

c) Priority Rating-
2

d) Recommendation-
A mechanism/process should be put in place to retain evidence of periodic Risk Register reviews and of the actions being taken to mitigate risk, at both the Corporate and Directorate level. In addition, evidence of the outcome of the review of Risk Registers and monitoring progress of mitigating actions should be recorded and retained (at all levels). SLT should ensure that appropriate resources are in place at the Directorate and service level to support this process. As mentioned in Issue 1 a person in each service area should be assigned responsibility to coordinate the creation & review of each operational level risk register and obtaining information on risk across the service area. This person should retain all evidence of risk register review; how often it takes place; who contributes and a note of all changes and updates to the risk register. Each Director should ensure someone is retaining evidence of the Directorate level risk register review and updates; how often it takes place; who contributes and a note of all changes and updates to the risk register. (See also Issue 7 as to how a risk management IT solution could make the risk management process more effective and less time consuming than the current use of spreadsheets and provide an evidence trail of review).

In addition to the periodic review of the Corporate Risk Register SLT should discuss other aspects of risk management e.g. annual review of risk management arrangements to ensure that Risk Management is embedded within Council, periodic reports on the progress of implementing mitigating controls & actions at Directorate level, ensuring strategic objectives are reviewed for risk, etc. these discussions should be documented in the SLT minutes.

e) Management Response
Agree to the recommendations listed above, subject to a dedicated resource to progress

f) Responsible Officer & Implementation Date- Director of Corporate Services December 2022

ISSUE 7 – Risk Management Information
a) Observation- Audit observed that risk registers (where they exist) are retained on Excel spreadsheets.
b) Implication- The maintenance of these spreadsheets is time consuming, results in a disconnected organisational risk management process and may be subject to human error in recording information. This increases the risk of inefficiencies in managing risk, a lack of a strategic integrated approach to risk management and currently provides little evidence of risk register review and update.
c) Priority Rating- 3
d) Recommendation- SLT should investigate the possibility of procuring an integrated risk management IT solution. As well as increasing efficiencies and integration of risk management across the organisation, IT based systems offer functionalities such as timely tracking of progress and recording of completion of risk mitigation controls and actions, automatic e-mail flags to risk owners when a risk register is due for review, provide summary reports for SLT etc.
e) Management Response **Agree to the recommendations listed above, subject to a dedicated resource to progress**
f) Responsible Officer & Implementation Date- Director of Corporate Services December 2022

Appendix I: Risk Maturity Model

Maturity Level	Risk naive	Risk aware	Risk defined	Risk managed	Risk enabled
Key Characteristics of each level	**No formal approach developed for risk management**	**Scattered silo-based approach to risk management**	**Strategy and policies in place and communicated risk appetite defined**	**Enterprise approach to risk management developed and communicated**	**Risk management and internal controls fully embedded into the operations**
Process					
The organisation's objectives are defined	Possibly	Yes – but may be no consistent approach	Yes	Yes	Yes
Management have been trained to understand what risks are, and their responsibility for them	No	Some limited training	Yes	Yes	Yes
A scoring system for assessing risks has been defined	No	Unlikely, with no consistent approach defines	Yes	Yes	Yes
The risk appetite of the organisation has been defined in terms of the scoring system	No	No	Yes	Yes	Yes
Processes have been defined to determine risks, and these have been followed	No	Unlikely	Yes, but may not apply to the whole organisation	Yes	Yes

All risks have been collected into one list. Risks have been allocated to specific job titles.	No	Some incomplete lists may exist	Yes, but may not apply to the whole organisation	Yes	Yes
All risks have been assessed in accordance with the defined scoring system	No	Some incomplete lists may exist	Yes, but may not apply to the whole organisation	Yes	Yes
Responses to the risks have been selected and implemented	No	Some responses identified	Yes, but may not apply to the whole organisation	Yes	Yes
Management have set up methods to monitor the proper operation of key processes, response, and action plans (monitoring controls)	No	Some monitoring controls	Yes, but may not apply to the whole organisation	Yes	Yes
Risks are regularly reviewed by the organisation	No	Some risks are reviewed, but infrequently	Regular reviews, probably annually	Regular reviews, probably quarterly	Regular reviews, probably quarterly
Management report risks to directors where responses have not managed the risks to a level acceptable to the board.	No	No	Yes but may be no formal process	Yes	Yes
All significant new projects are routinely assessed for risk	No	No	Most projects	All projects	All projects

Responsibility for the determination, assessment, and management of risks is included in job descriptions	No	No	Limited	Most Job descriptions	Yes
Managers provide assurance on the effectiveness of their risk management	No	No	No	Some managers	Yes
Managers are assessed on their risk management performance	No	No	No	Some managers	Yes

Appendix II: Definition of Assurance Ratings and Hierarchy of Findings

Satisfactory Assurance
Evaluation opinion: Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

Limited Assurance
Evaluation opinion: There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

Unacceptable Assurance
Evaluation opinion: The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

Hierarchy of Findings

This audit report records only the main findings. As a guide to management and to reflect current thinking on risk management we have categorised our recommendations according to the perceived level of risk. The categories are as follows:

Priority 1: Failure to implement the recommendation is likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds.

Priority 2: Failure to implement the recommendation could result in the failure of an important organisational objective or could have some impact on a key organisational objective.

Priority 3: Failure to implement the recommendation could lead to an increased risk exposure.

Appendix III: Summary of Key Controls Reviewed

Budgetary Control

Risk	Key Controls

There may be an unsupportive internal environment in relation to risk management, leading to a poor culture of risk management and increased risk that Council risks will not be managed effectively	• There is a Risk Management Framework in place which includes;
	  • A Risk Management Strategy which defines and steers risk management,
	  • Clearly defined roles, responsibilities and accountabilities of various stakeholders across Council,
	  • A defined risk management process
	  • Guidance, templates and tools to support risk assessment and monitoring of progress to mitigate risk
	• There is a defined Risk Appetite
	• Heads of Service are trained in risk management and aware of their role and responsibility in relation to risk management
	• Staff are engaged in the risk management process
	• Risk management is integrated into the corporate and annual business planning cycle, financial planning and performance management.
	• An anonymous whistleblowing policy is in place

It may be that risks are not identified and assessed consistently at both corporate and service level and are not linked to corporate and service objectives and priorities leading to potential non-achievement of Council business objectives	• A corporate risk register is in place, held centrally and updated regularly • The corporate risk register was prepared considering corporate objectives and priorities • The corporate risk register clearly sets out the corporate risks, assesses each risk and identifies how they will be mitigated • The service level risk registers were prepared considering both corporate and service objectives and priorities • Service level risk registers clearly set out the service's risks, assesses each risk and identifies how they will be mitigated • Significant service level risks are considered for inclusion in the corporate risk register • Adequate time is set aside with meetings at various Council levels to develop and update the risk registers
There may be no mechanism in place to monitor, review and report progress of actions which have been identified to mitigate risks, leading to the risk of mitigating actions not being implemented or potential new Council risks going unnoticed	• There is a documented schedule for reviewing mitigating actions and updating the corporate and service level risk registers • Key corporate level risks are identified and regularly monitored by the Senior Management Team • The service risk registers, and progress of mitigating actions are discussed regularly at service level staff meetings • Risk register reviews by Heads of Service are assessed and approved by the appropriate Director • The service risk registers, and progress of mitigating actions are discussed at Senior Management Team meetings • Consideration is given to emerging and new corporate and service level risks and risk registers are updated accordingly • The Corporate Risk Register is discussed at the Audit Committee meetings • The corporate risk register and progress of mitigating actions is reported to Council, at least bi-annually

Appendix IV: 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 judgement 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; 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.