

# MAYOR OF LONDON

OFFICE FOR POLICING AND CRIME

Appendix 2a

**DIRECTORATE OF AUDIT, RISK AND ASSURANCE**  
**Internal Audit Service to the GLA**

**FOLLOW UP REVIEW  
OF  
RISK MANAGEMENT**

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### 1. Background

- 1.1 This audit follows up the progress made towards implementing the agreed recommendations from the audit of risk management that was completed in April 2011 with revised management responses made to the Audit Panel in September 2011.
- 1.2 The internal audit report made six recommendations aimed at improving controls. Management accepted four recommendations and regarded two as not applicable, none were categorised as high-risk or urgent priority.
- 1.3 As part of this follow up, an assessment of the current position regarding risk management within the GLA was also undertaken so that we can give an opinion on the adequacy and effectiveness of the current risk management framework at the GLA during 2011/12.

### 2. Audit Objectives

- 2.1 Our objectives during this review were to:
  - Establish whether the accepted recommendations have been implemented.
  - Assess the impact of any changes in the system since the original review.
  - To form an opinion on the adequacy and effectiveness of the current risk management framework and to establish the direction of travel in embedding risk management framework within the organisation.

### 3. Audit Assurance

#### **Substantial Assurance**

The framework of control for risk management in the GLA is adequate following improvements that have been introduced over the last year and will benefit from further enhancements to ensure it continues to evolve in a positive direction.

- 3.1 The overall control framework for risk management within the GLA is improving. Of the four agreed recommendations made from the previous review one has been fully implemented, two partly and one remains outstanding. Three further recommendations have been made to enhance control within the framework.
- 3.2 At the GLA Audit Panel in March 2012, the Head of Performance and Governance reported on areas that would be covered in the corporate risk register in future, such as new functions transferred to the GLA and also issues arising from the Olympic land legacy. The report states that the future corporate

risk register would show risks pre-mitigation and post-mitigation. This will be achieved through an improvement of the previous risk register template.

- 3.3 Significant improvement has been made by the GLA through a review of the risk management framework (RMF) by incorporating policy and strategy for risk management. The RMF has been agreed by the Corporate Management Team and has also been endorsed by the Head of Paid Services. It was published on the intranet (February 2012) as a final draft subject to any changes following this review.
- 3.4 Within the GLA, risk management is one of a number of disciplines used to determine strategy, implement Mayoral objectives and make the best use of resources while acting properly and transparently. It is intended to be interwoven with corporate governance, business planning and performance management. Each project lead is required to report the top risks associated with their project to the Governance and Resilience Team. The most serious risks are escalated to the Investment and Performance Board. Top risks are also escalated to the corporate risk register.
- 3.5 Corporate risks are captured on the corporate risk register, which is reviewed by the Corporate Management Team is submitted to the Audit Panel on a six monthly cycle to consider and comment. A summary of project risks was also submitted to the Audit Panel in March 2012.

#### 4. Key Issues Outstanding

- 4.1 We have made three further recommendations referred to below and detailed in the action plan.
- 4.2 Although the RMF has been reviewed and published, the effectiveness of risk management within the GLA will need to be assessed to ensure that the RMF is being applied on a consistent basis throughout the organisation and relevant evidence is obtained to support the level of risk maturity achieved **(Recommendation 1 refers)**.
- 4.3 The RMF also contains a template of a risk register with a column headed residual risk rating. However the template should include a worked example to promote best practice **(Recommendation 3 refers)**.
- 4.4 A formal plan of training for officers within the Authority on the RMF has not been developed. Consideration needs to be given to the approach to be adopted on how the GLA intends to embed the risk management culture throughout the organisation **(Recommendation 6 refers)**.

## RISK CATEGORISATION

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Our recommendations are categorised according to their level of priority as follows:

- Priority 1 Major issues for the attention of senior management. Remedial action should be taken urgently.
- Priority 2 Other recommendations for local management action. Although not fundamental, relate to short comings in control.
- Priority 3 Minor Matters. Not critical but would benefit from improved control.

ANALYSIS OF ORIGINAL RECOMMENDATIONS						
Risk Category	Accepted	Fully Implemented	Partly Implemented	Not Implemented	No longer Applicable	Further Recommendations
Priority 1	0	0	0	0	0	0
Priority 2	3	1	2	0	0	2
Priority 3	1	0	0	1	2	1
Total	4	1	2	1	2	3

**RISK AND AUDIT ASSURANCE STATEMENT - DEFINITIONS**

Assurance Level	Assurance	Criteria
1	<b><u>Full</u></b> There is particularly effective management of key risks and business objectives are being achieved.	There is a sound framework of control operating effectively to achieve business objectives.
2	<b><u>Substantial</u></b> Key risks are being managed effectively, however some controls need to be improved to ensure business objectives are met.	The framework of control is adequate and controls to mitigate key risks are generally operating effectively.
3	<b><u>Limited</u></b> Some improvement is required to address key risks before business objectives can be met.	A number of controls to mitigate key risks are not operating effectively.
4	<b><u>No</u></b> Significant improvement is required to address key risks before business objectives can be met.	The control framework is inadequate and controls in place are not operating effectively to mitigate key risks. The business area is open to abuse, significant error or loss and/or misappropriation.

**Definitions of Risk Ratings**

Priority	Categories recommendations according to their level of priority.
1	Critical risk issues for the attention of senior management to address control weakness that could have significant impact upon not only the system, function or process objectives, but also the achievement of the organisation's objectives in relation to: <ul style="list-style-type: none"> <li>• The efficient and effective use of resources</li> <li>• The safeguarding of assets</li> <li>• The preparation of reliable financial and operational information</li> <li>• Compliance with laws and regulations.</li> </ul>
2	Major risk issues for the attention of senior management to address control weaknesses that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisational objectives.
3	Other recommendations for local management action to address risk and control weakness that has a low impact on the achievement of the key system, function or process objectives ; or this weakness has exposed the system, function or process to a key risk, however the likelihood is this risk occurring is low.
4	Minor matters need to address risk and control weakness that does not impact upon the achievement of key system, function or process or process objectives; however implementation of the recommendation would improve overall control.

## ACTION PLAN

Ref.	Original Recommendation	Priority	Agreed Management Action	Follow Up Finding	Further Recommendations and Management Response
1	<p><b>Directorate review of risk</b></p> <p>It is recommended that there is formal and regular review and consideration of risk within the Directorates.</p>	2	<p><b>Agreed</b></p> <p>The fundamental principle of the recommendation – regular review of risks at project and operational levels, with risks escalated where appropriate to the corporate register – is the basis on which the GLA’s risk management framework operates. Responsibility for the review of risks at directorate level rightly rests with directorates, though the Performance Team has a role in ensuring there are mechanisms that promote the consideration of risk; for example, as part of project initiation and review, and of Mayoral decision making.</p> <p>The GLA’s risk management framework is clear that even though directorate risk registers are voluntary, there is still an expectation that active risk management takes place at directorate level. ‘Mini’ risk registers have now been made compulsory for major projects and are reviewed corporately every four weeks. Project managers are expected to hold more detailed registers locally.</p>	<p><b>Partly Implemented</b></p> <p>The Risk Management Framework (RMF) stipulates that either at project/programme level or at an operational level a detailed risk register is maintained and risks are escalated as necessary onto the corporate risk register. During the Audit Panel in March 2012 the Corporate Risk Register was presented together with details of projects where the risk levels had been escalated.</p> <p>New risk areas included in the Corporate Risk Register</p> <ul style="list-style-type: none"> <li>• Contingency planning for the possible outcomes of the 2012 Mayoral and Assembly elections (risk 3).</li> <li>• Maximising the benefits derived from the significant land assets the GLA will inherit in the new financial year (risk 6).</li> <li>• Maximising the outcomes flowing from the three main regeneration funds: the</li> </ul>	<p><b>Further Recommendation (Priority 2)</b></p> <p>Although the RMF has been reviewed and published the effectiveness of risk management within the GLA will need to be assessed to ensure that the RMF is being applied on a consistent basis throughout the organisation and relevant evidence is obtained to support the level of risk maturity achieved.</p> <p><b>Management Response:</b></p> <p>Agreed.</p> <p>We welcome periodic review of the GLA’s approach to and application of risk management practice. We will discuss with Internal Audit the most suitable approach.</p> <p><b>Target date:</b> Q4 2012/13</p>



## ACTION PLAN

Ref.	Original Recommendation	Priority	Agreed Management Action	Follow Up Finding	Further Recommendations and Management Response
				<p>Growing Places Fund, the Outer London Fund and the Mayor's Regeneration Fund (risk 7).</p> <ul style="list-style-type: none"> <li>Ensuring the Olympic Mayoral Development Corporation meets Mayoral commitments on Olympic legacy and generates targeted receipts (risk 8).</li> </ul>	
2	<p><b>Directorate review of risk</b></p> <p>Bi-annually, Directorate Risk Co-ordinators should confirm in writing to the Performance Team that their risks have been considered locally and if any new risks need to be escalated to the Corporate Risk Registers.</p> <p>Responses should be received from Directorates within the specified deadline.</p>	3	<p><b>Not applicable revised from disagreed</b></p> <p>In future the Corporate Management Team (comprising the Chief of Staff and Executive Directors) will be asked directly to review and contribute to the corporate risk register at periodic CMT meetings</p>	<p><b>Partly Implemented</b></p> <p>See 1 above</p>	<p><b>Further Recommendation (Priority 2)</b></p> <p>See 1 above</p>
3	<p><b>Risk Register Format</b></p> <p>It is recommended that consideration be given to including an inherent risk indicator in the Corporate Risk Register.</p>	3	<p><b>Agreed</b></p> <p>Revised formats for the risk register will be considered as part of a best practice review that is being undertaken by the performance team. The format will be refreshed, and include an</p>	<p><b>Partly Implemented</b></p> <p>The RMF contains a template which states the residual risk. However, the RMF would benefit from clearer guidance on how to classify the overall inherent and residual risk status</p>	<p><b>Further Recommendation (Priority 3)</b></p> <p>The relevant part of the RMF is revised to show a worked example to promote best practice.</p>

## ACTION PLAN

Ref.	Original Recommendation	Priority	Agreed Management Action	Follow Up Finding	Further Recommendations and Management Response
			inherent risk indicator, for the March reporting round.	for each entry on the register. This could be achieved by including a worked example.	<b>Management Response:</b> Agreed <b>Target date:</b> October 2012
4	<b>Strategy, policy and guidance</b> The Risk Management Strategy, Policy Statement, Guidance and Toolkit and Risk Register Template should be updated to reflect the revised practices, responsibilities and tasks associated with the new risk management framework. In formulating the Strategy, there should be consideration of how Directorate risks will feed into the Corporate Risk Register.	2	<b>Agreed</b> The risk management documentation has been updated to reflect current processes. Directorate risk will feed in via CMT and new arrangements are in place to monitor risks associated with the GLA's major projects. A review of best practice is also being undertaken to assess whether there are other changes that need to be made. This will be completed before the March Corporate Risk Register reporting round.	<b>Implemented</b> The RMF contains adequate guidance and incorporates policy and strategy.  None	<b>None</b>
5	<b>Reporting to the Mayor</b> Bi-annually, the risk register should be submitted to the Mayor's Budget and Performance Adviser in a timely manner.	3	<b>No longer applicable</b> This was a one-off issue due to the cancellation of the Directors' Group meeting. From now on the Chief of Staff will consider the Corporate Risk Register on behalf of the Mayor by virtue of his membership of the	N/A	<b>None</b>

## ACTION PLAN

Ref.	Original Recommendation	Priority	Agreed Management Action	Follow Up Finding	Further Recommendations and Management Response
			Corporate Management Team, which will jointly review the register on a periodic basis.		
6	<p><b>Follow-up 2009/10 Training</b></p> <p>There should be a formal plan of training to officers within the Authority on the Risk Management Framework.</p>	2	<p><b>Agreed</b></p> <p>We will explore how best to do this once the risk management best practice review has been completed, with a view to putting something in place early in 2012/13. Initial thinking is that this could form part of the corporate governance e-learning module that has recently been successfully launched. We will also continue to provide one-to-one support as and when required.</p>	<p><b>Not Implemented</b></p> <p>The RMF recently placed on the intranet but formal training has not been formalised.</p>	<p><b>Original recommendation applies (Priority 3)</b></p> <p><b>Management Response:</b></p> <p>Agreed</p> <p>This item has not been progressed because the e-learning module has not yet had a full review and refresh (though it has been kept current). The action will be progressed in tandem with that forthcoming review. Governance and Resilience do, however, contain to provide 1 to 1 support to explain the corporate approach to risk management, and have met with colleagues in the new Housing and Land directorate.</p> <p><b>Target date:</b> December 2012</p>