

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	23 February 2017
DIRECTOR	Richard Ellis
TITLE OF REPORT	Review of the System of Risk Management
REPORT NUMBER	CG/17/005
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

To update the Committee with progress in implementing the System of Risk Management project plan which was before the Committee at the November meeting.

2. RECOMMENDATION

It is recommended that the Committee note the updates against the project plan and agree to receive further updates as the project proceeds.

3. FINANCIAL IMPLICATIONS

There are no financial implications arising as a result of this report.

4. OTHER IMPLICATIONS

There are implications associated with the Council's approach to risk management in light of the changing economic and socio-demographic profile of Aberdeen. This impacts on our continuing delivery of effective essential services, good governance and the management of our core functions within the framework of the Aberdeen – the Smarter City priorities.

5. BACKGROUND / MAIN ISSUES

- I. The Committee received a report at its last meeting, detailing the output of the review of the Council's system of risk management. Appended to the report was an action plan to manage the delivery of the actions required to meet the agreed recommendations arising from the review.
- II. A project sponsor and project manager are now in place and the project plan has now been developed to include key officers tasked to

implement the actions against agreed timescales. In addition, we participated in the annual CIPFA Risk Management Benchmarking Club in 2016 and the output of that exercise has been received. Aberdeen benchmarked its risk management activity with 29 other organisations across the UK and some key areas for improvement were identified. These are being aligned with the project plan so that when benchmarking is undertaken in 2017, that improvement can be clearly evidenced.

- III. The risk management review project now forms a part of the Performance and Improvement programme of work which reports into the Transformation Delivery Board, chaired by the Depute Chief Executive / Interim Director of Corporate Governance.
- IV. The Transformation Delivery Board is responsible for the delivery and stewardship of the portfolio of work that will change and improve the way in which we deliver services. Being part of this programme reflects the clear linkages between good risk management and the development of innovative and transformational service delivery models.
- V. A key action in the project plan is the development of an assurance framework. This involves 'mapping' assurance to the Council's strategic risks which is a key component of our governance framework. Assurance mapping is a technique which identifies internal and external sources of assurance that the effectiveness of our risk controls is robust. These assurances must be relevant, timely and offer an indication of their respective strengths. Assurance mapping allows us to identify gaps in assurance and through clear linkages with the internal audit function, provides for an enhanced risk-based audit planning process.
- VI. KPMG have been engaged to undertake the development of the assurance framework and this will be reported into the project plan. Interviews are being conducted with key officials and elected members as part of this process. At the same time, a review is under way of our internal audit function and requirements. This is also being conducted by KPMG and given the alignment between internal audit and risk and assurance, the Committee can receive updates on progress with both at its next meeting.
- VII. A second major area for improvement, also identified by the review and the benchmarking exercise, is the development of a risk appetite for the Council. This will include defined levels of tolerance of risk and the levels of risk the Council prepared to actively embrace in pursuit of the achievement of our strategic objectives. The work to develop the statement will be undertaken in early summer.
- VIII. The project dashboard is appended to the report.

6. IMPACT

Improving Customer Experience –

We aim to deliver services which better meet customer expectations and this requires an innovative approach to service design and delivery. Innovation comes with risk. A clearly defined set of risk tolerances within an established risk appetite, will permit a better informed approach to that process.

Improving Staff Experience –

The redefined system of risk management will clearly establish delegated authority around risk tolerances. This will allow managers to take informed decisions which take account of the management of risk and present service committees with properly evaluated recommendations.

Improving our use of Resources –

Our resources will continue to be stretched over the next few years, whilst demands are forecast to continue to increase. Coupled with this, increasing policy changes and requirements imposed by Government and its agencies, mean that a consistent approach to resource management that takes account of the management of risk, will be required.

Corporate – The actions taken in response to the review of the risk system are clearly corporately supportive of Aberdeen – the Smarter City vision, as well as our directorate and service planning processes.

Public – This report provides members with an opportunity to apply scrutiny to the development and improvement of our risk management arrangements. No EHRIA or PIA are therefore required.

7. MANAGEMENT OF RISK

The report details ongoing improvements to the risk management system.

8. BACKGROUND PAPERS

None

9. REPORT AUTHOR DETAILS

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Appendix 1 RISK ASSURANCE REVIEW - DASHBOARD						
Ref	Workstream	Lead Officer	Due Date	Status	Latest Update	Benchmarking improvement action
10	Risk Management System-Action Plan (arising from GGI recs and approved by AR&S Cttee)	Neil Buck				
	Clearly align our strategic objectives with risk management and risk reporting systems	Neil Buck				
	1 Align corporate risks with Smarter Aberdeen priorities	Neil Buck	31/12/2016		The risks in the SRR and Corporate RR have been aligned with the 'Aberdeen the Smarter City' Priorities.	
1	2 Align directorate risks with Smarter Aberdeen priorities.	Business Managers	28/02/2017		Neil liaising with directorates to ensure all directorate risks aligned with council policy statement.	
2	Ensure that the revised risk management strategy incorporates risk management objectives	Neil Buck	28/02/2017			
	Streamline risk reporting:escalation using risk scores. Explanatory note:Risks should be re-assessed quarterly or as necessary when matters dictate. Where a risk becomes red and the service is no longer best placed to manage the risk or to implement controls which will serve to bring the risk to a tolerable level, the risk must be escalated. This should be completed by discussion with the Business Manager. This will involve either escalating a risk from the service level to the directorate level, or from the directorate level to the corporate level. Where a risk is to be escalated to the corporate level, this will be done in discussion with the Performance and Risk Manager.					
3		Business Managers	28/02/2017			
	Streamline risk reporting:service and directorate committees include review of their risk registers Explanatory note: Directorate risk registers should be reported at least quarterly to SMT / DLT meetings. Risk registers should be aligned with service planning so that the output of PESTLE and SWOT analyses and risks to the achievement of priorities, are reflected.					
	1 Ensure directorate risk registers are up to date and included in director / chief executive 1-2-1 packs	Business Managers	28/02/2017			
	2 Align risk reporting with performance reporting to provide SMTs / DLTs with risk registers along with performance scorecards quarterly.	Business Managers	31/03/2017			
4	3 Report directorate risk registers to service committees twice yearly.	Business Managers	31/03/2017			
	Compile an assurance framework which describes components of assurance system for compliance and for transformation. Ensure risks are identified, evaluated, controlled and have appropriate assurance mapped out in order to inform internal audit planning. (KPMG).					
	1 Amend the risk register formats to include assurances on the strategic risk register	Neil Buck	31/03/2017		KPMG engaged to carry out this piece of work with interviews with key stakeholders under way	
	2 Reinforce the assurance mapping task by building review of assurances into Council Business cycle.	Neil Buck	31/03/2017			
			30/06/2017			
5	3 Define and communicate the distinction between controls and assurances	Neil Buck	30/04/2017			
	Standardise risk register and recording system and terminology as far as possible, to validate the use of risk scores for escalation, metrics for success of mitigating actions and to incorporate different dimensions of impact.					
	1 Produce new risk register format for corporate and directorate level risks which categorises impacts as people, financial, property, reputation.	Neil Buck	31/03/2017			
6	2 Establish key risk indicators which evidence that mitigation is successful.	Executive Assistants	31/03/2017		Neil to design new format and EAs to liaise with service management teams on implementation	
	Develop an action tracker to assist the CMT in closure of actions	Executive Assistants	31/03/2017			
	1 Action tracker for CMT: should include all collated mitigating actions from strategic and corporate operational risk registers with timeline for completion and progress / evidence.	Executive Assistants	30/04/2017		EAs have begun work on developing the action trackers	
7	2 Action tracker for SMTs / DLTs to include all collated mitigating actions from directorate risks with timeline for completion and progress / evidence.	Executive Assistants	30/04/2017			
8	Using the risk appetite statement, agree with IJB reporting routes for specific papers and establish their place in cycle of business	Martin Murchie	31/03/2017			
9	[a]Business analysis input on risk management information needs in relation to software and [b]Evaluate the covalent system - both should be included in the Information Communications Technology (ICT) strategy and plans [factoring in risk registers]	Anne Griffiths[point of contact]	30/04/2017			
10	Develop training and development programmes tailored to stakeholder groups with summaries to be incorporated into induction packs.	Senior Democratic Services Officer	30/04/2017			
	Support identification and discussion of risk by:					
	1 Promotion of a range of risk identification methods	Neil Buck	ongoing			
	2 Formal training and induction	Neil Buck	ongoing			
11	3 Prepare and distribute training guidance notes on use of the Covalent system risk module.	Neil Buck / Beth Smith	30/04/2017			
	Hold workshops with Council to discuss and agree risk appetite. Develop an associated risk appetite statement, to underpin Council decision-making.	Neil Buck/Business Managers/Executive Assistants	30/06/2017			
	1 Support identification and discussion of risk by:Use of risk appetite within risk system	Neil Buck				
12	2 Streamline risk reporting:clarity of delegation using risk tolerance levels	Business Managers	30/06/2017			

13	Ensure there is supporting guidance or worked scenarios and advice on induction for elected members on procedures concerning conflict of interest and liability.	Senior Democratic Services Officer	10/05/2017			
14	<p>Establish a risk identification and moderation role for the ECMT which encompasses:</p> <ul style="list-style-type: none"> • Horizon-scanning, discussion and identification of new risks. • Compilation and refresh of corporate operational risk register. • Review of high level risks from directorate risk registers. • Submission of issues for escalation to the CMT for strategic risk register. • Moderation of risk scores in the corporate operational risk register. • Engage heads of services in the recognition and analysis of good risk management 	Martin Murchie	30/06/2017			
15	Evaluate the system for acceptability and consistency after year one of operation		31/10/2017			
16	Agree delegated tolerances and triggers for escalation with all ALEOs within agreed risk appetite and tolerance	Senior Democratic Services Officer	As part of the Governance Review, the recommendations of the reports by both the GGI and CIPFA will be assimilated so that appropriate amendments to the ALEO governance process can be made which will ensure that the support of ALEOs is retained as we move forward			
	Differentiate the scrutiny and assurance role of Governance Hub from the strategic and horizon scanning role of the ALEO board	Iain Robertson	as above			
	Agree objectives for each ALEO in line with the Council's vision and priorities, facilitating:	Iain Robertson	as above			
	• revised KPIs		as above			
	• streamlined reporting dataset templates		as above			
	Locate accountability for ALEO performance with the CGD, informed by Subject Matter Experts from the relevant service directorate	Iain Robertson	as above			
	Review opportunities to standardise or share risk management approaches	Iain Robertson	as above			
	Clarify acceptable ALEO assurances to include quality audits and external accreditation schemes	Iain Robertson	as above			
	Consider a range of initiatives to improve informal relationships between ALEOs and Council members and officers	Iain Robertson	as above			
	Support identification and discussion of risk by: standardising committee agendas	Iain Robertson	as part of the Governance Review			