

COMMITTEE	Audit, Risk and Scrutiny
DATE	23 November 2017
REPORT TITLE	Review of the System of Risk Management
REPORT NUMBER	CG/17/122
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**1. PURPOSE OF REPORT:-**

- 1.1 The report provides the Committee with an update on progress in implementing the agreed actions to support the delivery of the Risk and Assurance Improvement project.

**2. RECOMMENDATION(S)**

- 2.1 That the Committee:
- (a) Note the progress made in delivering the project.

**3. BACKGROUND/MAIN ISSUES / OTHER HEADINGS AS APPROPRIATE**

- 3.1 At its meeting on 24 November 2016, the Committee reviewed the action plan relating to the Risk and Assurance Improvement project and agreed to receive an update at the June cycle of the Committee and thereafter to receive regular updates on progress with completing the project actions.
- 3.2 The Council carried out a comprehensive review of the system of risk management during 2016 and at its conclusion, agreed an action plan to take forward a number of actions to improve the system. Notable amongst these actions were improving our risk identification mechanisms, strengthening the level of assurance the Council's senior management can take in the effectiveness of risk controls and mitigation and the agreement of a process to inform escalation between tiers of risk management. Appendix 1 details the actions in the project plan and updates against actions are provided
- 3.3 KPMG carried out a piece of work to map assurance to two corporate risks and this model is now being rolled out to the remaining risks in the register. Assurance maps are used to identify sources of internal and external assurance that risk controls are effective.

**Corporate Risk Register**

- 3.4 The Corporate Risk Register contains those risks which pose the most significant threat to the Council's ability to carry out statutory functions and deliver essential

services, in accordance with national and local policy requirements. The register is updated and reviewed each month by CMT. It currently comprises nine risks but risks are removed and added frequently, to reflect changing internal and external influences.

### **Risk Assurance**

- 3.5 The assurance maps referred to at 3.3 are being developed for all long or medium term corporate risks. Four assurance maps are currently in place, with the most recently developed covering our responsibilities around the risk under the civil contingencies / emergency planning legislation. These maps are designed to provide CMT with the sources and quality of assurance that our risk controls are effective. Where they are not, CMT may take remedial action to address assurance gaps.

## **4. FINANCIAL IMPLICATIONS**

- 4.1 There are no direct financial implications arising from the recommendations of this report but the report deals with the highest level of risk and this process serves to identify controls and assurances that finances are being properly managed.

## **5. LEGAL IMPLICATIONS**

- 5.1 There are no direct legal implications arising from the recommendations of this report but the Corporate Risk Register serves to manage many risks with implications for the legal position and statutory responsibilities of the Council.

## **6. MANAGEMENT OF RISK**

- 6.1 The report provides information on the Council's system of risk management and the improvements designed to make the system robust and fit for the changing social, political and economic environment in which we exist, so that all risks attaching to the Council's business and strategic priorities may be identified and managed.

## **7. IMPACT SECTION** **Economy**

- 7.1 Robust risk management arrangements are essential to the identification and control of risks with the potential to impact the Council's strategic priorities and the objectives set out in the Local Outcomes Improvement Plan, which support our commitment to a prosperous economy. The mapping of assurances to risks, as set out in the appended action plan summary, will evidence to the Council's senior managers gaps in the strength of those controls which can then be addressed.

### **People**

- 7.2 Some of our risks have the potential to impact both the safety and wellbeing of our citizens and communities. In addition, action is taken to identify the impact of some risks on the wellbeing and experience of our staff. The emphasis on proper risk controls and identifying mitigating actions which are aligned with our strategic and service business and improvement planning processes, ensures that all such risks are effectively managed.

## **Place**

- 7.3 The Council's commitment to creating a city which is a chosen destination to live, invest, work and visit is reflected in our Strategic Business Plan and the Local Outcomes Improvement Plan. The Risk and Assurance project aims to ensure that all risks impacting that commitment are identified timeously and subjected to appropriate risk management techniques, in order to maximise delivery of those outcomes.

## **Technology**

- 7.4 The horizon scanning mechanisms outlined in the action plan are designed to maximise opportunities to strengthen our commitment to digital place and enabling technology and to mitigate risks to the success of that commitment.

## **8. BACKGROUND PAPERS**

Risk and Assurance Project Workplan

## **9. APPENDICES**

Appendix 1 (Risk and Assurance Project Action Plan Summary)

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## Appendix 1

### Risk Management Review Action Plan

No.	Action	Deadline	Status	Comments
1	<p><b>Clearly align our strategic objectives with risk management and risk reporting systems</b></p> <p>(i) Align corporate risks with Strategic priorities</p> <p>(ii) Align directorate risks with Strategic priorities.</p>	31/12/16		There is a single corporate risk register and the risks contained within it and the directorate risk registers are aligned with the Council's strategic priorities.
2	<p><b>Ensure that the revised risk management strategy incorporates risk management objectives</b></p>	28/02/18		Risk Management objectives have been factored into the draft revised risk strategy.
3	<p><b>Streamline risk reporting and escalation using risk scores.</b></p>	28/02/18		This will be incorporated into the revised Strategy and will draw on an agreed 'Risk Appetite' for ACC.
4	<p><b>Streamline risk reporting to service and directorate committees include review of their risk registers.</b></p> <p>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.</p> <p>(i) Ensure directorate risk registers are up to date and included in director / chief executive 1-2-1 packs</p> <p>(ii) Align risk reporting with performance reporting to provide SMTs / DLTs with risk registers along with performance scorecards quarterly.</p> <p>(iii) Report directorate risk registers to service committees twice yearly.</p>	31/03/17		Reporting of risk registers to management teams and within 1-2-1 packs is embedded. Corporate Management Team have approved reporting of Directorate Risk Registers along with Service Improvement Plan data to committees twice-yearly. This will now need to take account of the transition to the Target Operating Model.

5	<p><b>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 for the 2017/18 financial year.</b></p> <p>(i) Amend the risk register formats to include assurances on the corporate risk register</p> <p>(ii) Reinforce the assurance mapping task by building review of assurances into Council Business cycle.</p> <p>(iii) Define and communicate the distinction between controls and assurances</p>	31/12/17		<p>KPMG completed in March a risk assurance mapping exercise against two corporate risks. This model is being implemented on all medium or longer term risks. These assurance maps are being reviewed on an exception basis by the CMT. Controls and assurances are properly segregated in the corporate risk register allowing for both control and assurance gaps to be identified and addressed. The distinction between controls and assurance is understood and being communicated through training and engagement with services.</p>
6	<p><b>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.</b></p> <p>(i) Produce new risk register format for corporate and directorate level risks.</p> <p>(ii) Establish key risk indicators which evidence that mitigation is successful.</p>	31/12/17		<p>The standardised risk register template is in use. A suite of risk management guidance documents has been published on the Zone, along with a glossary of risk management terminology.</p> <p>The creation of control action plans for each corporate risk means that <b>key risk indicators (KRIs)</b> have now been created. These will be first reported to the CMT at its November meeting.</p>
7	<p><b>Develop an action tracker to assist the CMT in closure of actions</b></p> <p>(i) Action tracker for CMT: should include all collated mitigating actions from corporate risk register with timeline for completion and progress / evidence.</p>	30/04/17		<p>An action tracker has been developed. Due to the roll out of assurance mapping for the corporate risk register, assurance actions can be identified along with control actions. The finalised tracker has been in place for several months and will take account of both requirements. Action trackers for directorate risk registers are being</p>

	(ii) Action tracker for SMTs / DLTs to include all collated mitigating actions from directorate risks with timeline for completion and progress / evidence.	31/12/17		promoted through risk workshops.
8	<b>Using the risk appetite statement, agree with IJB reporting routes for specific papers and establish their place in cycle of business</b>	30/04/17		<p>There are quarterly reports to Council on IJB activities including an update on risk management. A process has been agreed for 'Directions' from the IJB to Council which includes:</p> <ul style="list-style-type: none"> <li>• an appropriate template for consistent use for all Directions;</li> <li>• consultation is undertaken with Legal Services to provide assurance that proposed Directions are legally competent;</li> <li>• IJB Directions which propose "major changes" to the delivery of services, be issued only following engagement with the Council's elected members;</li> <li>• IJB Directions are required for the delivery of services, but no "major change" is proposed, these be submitted to the Council annually for information</li> </ul>
9	<b>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]</b>	31/12/17		This action has been raised with the relevant officers in the ICT service. There is a review of all critical and non-critical systems under way and this will take account of risk management system requirements as the review proceeds.
10	<b>Support identification and discussion of risk by:</b>	Ongoing		A risk management training programme for officers has been under way for 18 months and continues with 81 officers trained to date. Risk management guidance is complete and made available to all services through the Risk Management homepage on the 'Zone.' This guidance includes use of the Covalent risk management software. Risk workshops are under way with directorate and service management teams to further embed learning.
	(i) Promotion of a range of risk identification methods			
	(ii) Formal training and induction			
	(iii) Prepare and distribute training guidance notes on use of the Covalent system risk module.			

<b>11</b>	<p><b>Hold workshops within Council to discuss and agree risk appetite. Develop an associated risk appetite statement, to underpin Council decision-making.</b></p> <p>(i) Support identification and discussion of risk by: Use of risk appetite within risk system.</p> <p>(ii) Streamline risk reporting and clarity of delegation using risk tolerance levels .</p>	30/04/18		It has been agree by CMT that the formulation of a risk appetite for ACC be taken forward from March 2018, once the transition to the interim Target Operating model is under way.
<b>12</b>	<p><b>Ensure there is supporting guidance or worked scenarios and advice on induction for elected members on procedures concerning conflict of interest and liability.</b></p>	10/05/17		Training for elected members has been completed.
<b>13</b>	<p><b>Establish a risk identification and moderation role for the ECMT which encompasses:</b></p> <ul style="list-style-type: none"> <li>• Horizon-scanning, discussion and identification of new risks.</li> <li>• Compilation and refresh of corporate operational risk register.</li> <li>• Review of high level risks from directorate risk registers.</li> <li>• Submission of issues for escalation to the CMT for strategic risk register.</li> <li>• Moderation of risk scores in the corporate operational risk register.</li> <li>• Engage heads of services in the recognition and analysis of good risk management.</li> </ul>	30/06/17		<p>A corporate issues log is in place with the aim of capturing information from horizon scanning and using peer review. Significant emerging issues are reported to CMT (Stewardship) meetings monthly so that new corporate or service risks may be detailed and managed and risk assessments for existing risk reviewed.</p> <p>The corporate risk register has been comprehensively reviewed and redesigned. A mechanism is in place to escalate / de-escalate risks between the corporate and service tiers. Risk workshops are being conducted with Directors and Heads of Service.</p>
<b>14</b>	<p><b>Evaluate the system for acceptability and consistency after year one</b></p>	31/10/17		The effectiveness of the system requires to be evaluated by

	<b>of operation</b>			key officers.
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Key	
	Action complete
	Action on course
	Action warning
	Action overdue