COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	08 May 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2514 – Risk Management
REPORT NUMBER	IA/AC2514
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

1.1 The purpose of this report is to present the planned Internal Audit report on Risk Management.

2. RECOMMENDATION

2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. CURRENT SITUATION

3.1 Internal Audit has completed the attached report which relates to an audit of Risk Management.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Internal Audit report AC2514 – Risk Management

12. REPORT AUTHOR CONTACT DETAILS

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Internal Audit

Assurance Review of Risk Management

Status: Final

Date: 19 February 2025

Risk Level: Corporate

Report No: AC2514

Assurance Year: 2024/25

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	**Reasonable**

Report Tracking	Planned Date	Actual Date
Scope issued	30-Jul-24	30-Jul-24
Scope agreed	06-Aug-24	05-Aug-24
Fieldwork commenced	26-Aug-24	23-Aug-24
Fieldwork completed	20-Sep-24	29-Nov-24
Draft report issued	11-Oct-24	04-Dec-24
Process owner response	01-Nov-24	06-Feb-24
Director response	08-Nov-24	17-Feb-25
Final report issued	15-Nov-24	19-Feb-25
AR&S Committee	08-May-25	

Distribution	
Document type	Assurance Report
Director	Andy MacDonald, Executive Director – Corporate Services
Process Owner	Vikki Cuthbert, Interim Chief Officer – Governance
Stakeholder	Ronnie McKean, Corporate Risk Lead
	Eleanor Sheppard, Executive Director – Families & Communities
	Gale Beattie, Executive Director – City Regeneration & Environment
	Isla Newcombe, Chief Officer – People & Citizen Services
	John Wilson, Chief Officer - Capital
	Steve Roud, Chief Officer – Digital and Technology
	David Leslie, Strategic Infrastructure Plan Programme Manager
	Jonathan Belford, Chief Officer - Finance*
*Final only	External Audit*
Lead auditor	Andy Johnston, Auditor

1 Introduction

1.1 Area subject to review

Risk can be defined as the combination of the likelihood of an event occurring and its impact, should it occur. Local authorities have seen recent pressures due to reducing revenue streams and increasing customer-led demand on services. To meet these challenges, it may be necessary to take calculated risks and to take properly risk-assessed opportunities as they arise.

Risk Management Policy

The Council's Risk Management Policy states:

"Aberdeen City Council ("the Council") delivers a wide range of services to the citizens of Aberdeen, both in order to meet statutory requirements and to deliver on the outcomes set out within the Local Outcome Improvement Plan and associated strategies. Successful delivery of these services relies on a robust, clearly articulated and strongly embedded system of risk management".

Directors and chief officers are responsible for implementing the Council's Risk Management Policy and ensuring that appropriate and adequate resource is in place to do so. In addition, all members of staff across the Council are expected to assist with this including the identification, assessment, review and mitigation of risks that could impact on the delivery of the Council's outcomes. Support to this end is available from the Council's dedicated Corporate Risk Lead.

Risk Appetite Statement

The Council has an agreed Risk Appetite Statement setting out the amount of risk that is acceptable in the following risk categories in pursuit of corporate priorities:

- Strategic
- Compliance
- Operational
- Financial
- Reputational
- Environment / Climate

The statement provides various target risk scores which must be considered for the purposes of mitigating risks or justifying why risk scores exceed the Council's risk appetite.

Risk Recording and Reporting

The Council records its risks, with target and current scores and status of related control actions on various Risk Registers as shown in the table below:

Risk Register	Ownership	Review Forum / Reviewer	Frequency of Review
Corporate	Corporate Management Team	Risk Board	Monthly
Cluster	Directors and Chief Officers	Senior Management Team	Monthly
Operational	Optional - Individual Teams	Chief Officer	Regular
Programme and Project	Programme and Project Managers	Programme and Project Manager	Regular

The registers are complemented by assurance maps, which expand on risks and related controls by line of defence (do-er; helper/oversight; checker).

In addition to the above oversight, Audit Risk and Scrutiny Committee is responsible for ensuring the effectiveness of the Council's risk management system and must annually review and approve the Council's Risk Management Policy and Risk Management Statement as well as annually monitor the

Corporate Risk Register and related assurance maps. Furthermore, Cluster Risk registers are scrutinised annually by the respective policy Committee.

1.2 Rationale for the review

The objective of this audit is to provide assurance over the Council's risk management arrangements at each level and ensure risk appetite is utilised across the delivery of operations.

This area was last reviewed in August 2019 as part of Internal Audit AC2004 Risk Management when risk managements were generally found to be adequate. Recommendations were agreed as part of this review to develop the Council's risk appetite statement; enhance written guidance; and formalise and standardise risk register review requirements and outcome recording.

1.3 How to use this report

This report has several sections and is designed for different stakeholders. The executive summary (section 2) is designed for senior staff and is cross referenced to the more detailed narrative in later sections (3 onwards) of the report should the reader require it. Section 3 contains the detailed narrative for risks and issues we identified in our work.

2 Executive Summary

2.1 Overall opinion

The full chart of net risk and assurance assessment definitions can be found in Appendix 2 – Assurance Scope and Terms. We have assessed the net risk (risk arising after controls and risk mitigation actions have been applied) as:

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

The organisational risk level at which this risk assessment applies is:

Risk Level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.

2.2 Assurance assessment

The level of net risk is assessed as **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over the Council's approach to risk management.

Risk can be defined as the combination of the likelihood of an event occurring and its impact, should it occur. Local authorities have seen recent pressures due to reducing revenue streams and increasing customer-led demand on services. To meet these challenges, it may be necessary to take calculated risks and to take properly risk-assessed opportunities as they arise.

Chief officers and managers across the Council are required to actively manage the risks associated with the performance of their day-to-day operations and delivery of commissioning intentions. Furthermore, all members of staff across the Council are expected to assist with risk management, including the identification, assessment, review, and mitigation of risks that could impact on the delivery of Council outcomes.

Internal audits of IJB and Arm's Length External Organisation (ALEO) risks are planned for 2026/27 and 2024/25 respectively and as such risk management arrangements for these areas were not reviewed as part of this audit. Also, Capital Project Management was reviewed in detail in July 2022 as part of Internal Audit AC2118 therefore capital project risk management testing has been limited to adequacy of Project Risk Register monitoring arrangements.

Reasonable assurance was available over the following areas reviewed:

- **Risk Management Framework** – The Council's Risk Management Framework is comprehensive, with a Risk Management Policy clearly setting out officer responsibilities. This is complemented by a Risk Appetite Statement approved by Audit, Risk and Scrutiny Committee in February 2024 (see appendix 1), defining risk appetite (i.e. averse, cautious, open, hungry) and the risks deemed relevant for decision making / delivering the Council's strategic outcomes. In addition, detailed guidance is in place describing how to identify, analyse, control and monitor risks. Furthermore, the framework is available to officers via the Council's intranet to raise awareness, with Governance advising this is also the case for Elected Members.

- **Risk Registers** – Corporate, Cluster and Operational Risk Registers are 'SMART' (specific, measurable, attainable, responsible, and time-bound), and are available via the Managing Risk intranet webpages and via the Manager's Portal facilitating awareness.

- **Audit, Risk and Scrutiny Committee** – Audit, Risk and Scrutiny Committee's (AR&SC) responsibility for ensuring the Council has effective risk management arrangements is clearly formalised within the Council's Scheme of Governance. The Council's Corporate Risk Register (CRR), Cluster Assurance Maps detailing controls in place (with the exception of People Services – see below) and the inspections planner (known internal / external audits and third-party regulatory inspections) are being reported annually to AR&SC, most recently in February 2024, for monitoring and scrutiny purposes. This reporting by the Council's Corporate Risk Lead is clear and detailed, with CRR risk score movements explained, and details of CRR risk de-escalations and escalations for tracking / scrutiny purposes.

- **Committee Report Template** – The Council's Committee report template for all reports to Full Council or Council Committees requires report recommendations to be risk assessed in accordance with the Council's Risk Appetite Statement (RAS), informing decision making.

- **Central Support** – The Council has a dedicated Corporate Risk Lead who leads on the Council's system of risk management. The CRL is a key member of the Council's Risk Board (considered further below) and is supporting Leadership Teams across the Council to build risk awareness and effective risk management. In 2024, the CRL worked with the Leadership Teams across the Council to review Cluster Risk Registers following the Council's organisational restructure.

- **Corporate Management Team** – CMT maintain oversight of the Council's risk management arrangements through regular Highlights Reports prepared by the Council's Corporate Risk Lead and presented by the chair of the Council's risk management and control environment oversight body, the Risk Board, covering the Risk Board's performance and agenda points. This complements CMT's monthly monitoring of the Corporate Risk Register, covering the most significant risks to the Council, including civil contingencies (emergency Category 1 Responder compliance); health and safety; financial sustainability; cyber security; and climate change.

- **IJB Risks** – IJB risk management arrangements have not been subject to detailed review as above. However, it was noted the Risk Board monitors the IJB Strategic Risk Register on a quarterly basis.

- **Programme / Project Risk Management** – Whilst not a full programme / project review, evidence was available that the Council's transformation, capital and digital risks are being monitored by the respective chief officers.

However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically:

- **Service Committee Oversight** – Service Committees are receiving copies of the Cluster Risk Registers relevant to their respective remits covering open Cluster risks. However, risk deviation from Council risk appetites is permitted by the Risk Appetite Statement and unlike CRR reporting to AR&SC described above, Cluster risk score movements and de-escalations / closures are not identified and explained, reducing accountability for such changes and risking inappropriate closure of Cluster risks. In addition, whilst Assurance Maps detailing controls are being reported to most service Committees and Audit, Risk and Scrutiny Committee, this was not the case in 2024 for People Services, reducing assurance for Staff Governance Committee and AR&SC over the adequacy of controls over People risks.

- **Risk Board** – The Council's Risk Board provides good governance and oversight of the Council's risk management arrangements and control environment generally, meeting regularly to do so. The Corporate Risk Register risks and controls are being monitored by Risk Board and subject to cyclical "deep dive" reviews to ensure control actions are adequate and progressing. In addition, emerging risks and issues are monitored by reviewing the outcomes of external inspections and internal / external audit reports. However, whilst Cluster risks are monitored, Cluster Risk Register risk control action adequacy and progression is not, nor are Council Programme / Project risks and controls, reducing oversight of these risk management areas. In addition, it was agreed it would be beneficial for the Risk Board to enhance monitoring arrangements over significant fraud and health and safety risks.

- **Cluster Risk Management** – The Senior Management Teams for Corporate Services, Families and Communities, and City Regeneration and Environment have standing agenda items to facilitate monitoring of Cluster risks. However, four (29%) of 14 chief officers contacted to provide evidence of risk management arrangements at a Cluster level did not respond meaning there is no assurance in these cases that chief officers are monitoring their respective Cluster Risk Registers as required. This reduces assurance over the accuracy of Cluster Risk Registers, and potentially the Corporate Risk Register should risk escalation be missed.

Recommendations have been made to address the above risks, including enhancing Risk Board reporting and monitoring arrangements; ensuring Service Managers are informing accuracy of Cluster Risk Registers; and ensuring Cluster Risk Registers and Assurance Maps are being reported and monitored as required.

2.3 Severe or major issues / risks

No severe or major issues / risks were identified as part of this review.

2.4 Management response

The audit recognises the positive work of the Risk Board, Corporate Management Team and Assurance Team in retaining oversight of the Council's risk management approach, use and scrutiny of risk registers by members and officers, and application of our Risk Appetite Statement including its integration into decision-making. The Risk Board continues to evolve and self-evaluate, with some recent revisions resulting in a split of business between Risk and Compliance/Audit, Inspection and Resilience, as well as a broadening of membership and closer alignment with the Performance Board. Going forward, the Board will also seek assurance on the risk management arrangements in place within programmes and projects across the activity of the Council. Overall, this is an extremely positive audit which we welcome, including the suggested improvements which we continue to implement.

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Moderate
1.1	**Service Committee Oversight** – Cluster Risk Registers (CRRs) are owned by directors and chief officers and cover the risks that may prevent each Cluster from delivering services, commissioning intentions and/or strategic outcomes. CRRs are complemented by Assurance Maps which detail controls in place to mitigate risks affecting the respective Clusters across three lines of defence – "do-ers", "helpers", and "checkers". The Council's Risk Management Framework requires Cluster Risk Register risks and the related Assurance Map to be reported to the relevant service Committee on an annual basis. Service Committees are receiving copies of the Cluster Risk Registers relevant to their respective remits for open Cluster risks. However, risk deviation from Council risk appetites is permitted by the Risk Appetite Statement and unlike Corporate Risk Register reporting to Audit, Risk and Scrutiny Committee, Cluster risk score movements and de-escalations / closures are not identified and explained, reducing accountability for such changes and risking inappropriate closure of Cluster risks. In addition, whilst Assurance Maps detailing controls are being reported to most service Committees and Audit, Risk and Scrutiny Committee, this was not the case in 2024 for People Services, reducing assurance for Staff Governance Committee and AR&SC over the adequacy of controls over People risks.		

IA Recommended Mitigating Actions
a) Service Committee Risk Register and Assurance Map reporting should be enhanced in line with Corporate Risk Register reporting to Audit, Risk and Scrutiny Committee, covering risk score movements, escalations, and in particular, de-escalations, for scrutiny purposes. b) P&CS should ensure People Assurance Maps are reported to Staff Governance Committee.

Management Actions to Address Issues/Risks
a. We welcome the recommendation to enhance Cluster risk reporting with trends in relation to each risk and will implement with the first report to Committee in 2025. *b.* The assurance map and cluster risk register would normally be reported to Staff Governance Committee on an annual basis, for noting. Given that in 2024/25 the cluster risk was de-escalated to 'business as usual', it was determined that there was no requirement to share a 'for noting' position to Staff Governance Committee on the assurance map which had minimal updates since the previous year. The Staff Governance Committee business planner for 2025/26 includes the annual report of both risk register and assurance map.

Risk Agreed	Person(s)	Due Date
a. Yes	a. Corporate Risk Lead	a. May 2025
b. Yes	b. Service Lead - People	b. June 2025

Ref	Description	Risk Rating	Minor
1.2	**Risk Board** – The purpose of the Council's Risk Board is to monitor the Council's control environment and lead on the Council's management of risk. The Risk Board meets every six weeks and undertakes various activities relevant to risk management, including:		

Risk Board – The purpose of the Council's Risk Board is to monitor the Council's control environment and lead on the Council's management of risk. The Risk Board meets every six weeks and undertakes various activities relevant to risk management, including:

- Development and approval in principle, of the Council's Risk Appetite Statement.
- Corporate Risk Register risks are subject to "deep dives" on a rolling basis to monitor progress with control actions and to assess the accuracy of risk scores and adequacy of proposed control actions to align these risks with the Council's risk appetite.
- Monitoring Cluster risks including emerging, closed and escalated/de-escalated risks.
- Monitoring of the IJB Strategic Risk Register on a quarterly basis.
- Oversight of planned inspections (e.g. Audit Scotland, Care Inspectorate) and monitoring of emerging risks via a spreadsheet-based tracker.
- Overseeing outstanding Internal and External Audit recommendations.
- Monitoring the work of Policy Group, the review status of the Council's policies and approving Council "institutional" policies following consideration by Policy Group.
- Considering and ensuring corrective action for significant compliance breaches e.g. data breaches, health and safety breaches requiring referral to Health and Safety Executive.
- A quarterly fraud progress report is being presented by the Council's Counter Fraud Officer.
- Preparations for the annual credit rating assessment.
- Risk gap checking as a standing item.

The Risk Board provides good oversight of the Council's risk management arrangements and is meeting regularly to achieve the above aims.

In addition, to complement Corporate Management Team's (CMT) monthly monitoring of the Corporate Risk Register, CMT is receiving regular Risk Board Highlights Reports presented by the chair of the Risk Board covering the Risk Board's performance and agenda points.

However, the following issues were noted.

- The Risk Board recently completed a self-evaluation, the results of which were reported to CMT, who approved the development of a new risk assurance model, based on that of another local authority to address identified weaknesses e.g. oversight of internal and external compliance matters and horizon scanning. The Risk Board workplan for 2025 has been updated as a result, with separate planned quarterly meetings on Audit, Inspection and Resilience matters and separate quarterly meetings on Risk and Compliance. However, a minor matter remains outstanding in that the Terms of Reference for the Risk Board was last reviewed in September 2020 and certain named members on the current Terms of Reference are no longer on the Board. This should be addressed to improve clarity over the Board's membership and responsibilities.

- Corrective action relating to significant health and safety breaches reported to the HSE in 2023 or 2024 have not been reported to the Risk Board. The chair of the Risk Board advises that there have not been any HSE reportable incidents that would require review since there are other forums monitoring this (i.e. Function health and safety groups, Function Senior Management Teams, Staff Governance Committee) and reporting on the same matters would create unnecessary duplication. However, it is agreed that having more oversight of overall health and safety compliance, trends and risk areas would be beneficial and that this can be achieved via a report on service H&S compliance to Risk Board twice a year.

Ref	Description	Risk Rating	Minor

- The Finance Improvement Action Plan to address fraud risks following the high-profile Council Tax refund embezzlement case has not been reported (albeit this was planned for October 2024). This risks corrective actions not being progressed and further significant fraud. The Service advise in relation to the embezzlement case, a Task and Finish Group was established to monitor the Finance Improvement Plan actions. However, central oversight by the Risk Board would help ensure fraud risks facing the Council are understood and ensure controls improvements are implemented in a timely manner.

- Whilst the Risk Board is monitoring Cluster Risks, including new and closed risks, the reporting does not include scrutiny of progress with planned Cluster control actions to bring risks in line with the Council's risk appetite. Ineffective Cluster risk control may be missed as a result.

- It was also noted that the Risk Board does not monitor risks to Council Programmes and Projects which may be beneficial in the interests of enhanced scrutiny and oversight and ensuring risks are in line with the Council's risk appetite. This would also meet the Risk Management Framework requirement for the Assurance Team to regularly monitor Programme and Project Risk Registers which was not evident.

The Risk Board is in general providing good governance and oversight of the Council's risks and its control environment. Addressing the above matters would enhance what is already a good system of oversight and governance.

IA Recommended Mitigating Actions

a) The Risk Board should update its Terms of Reference based on the outcome of recent work developing the risk assurance model.

b) The Risk Board should amend its Terms of Reference to include Cluster risk reporting (particularly risk status and progression of control actions), monitoring of significant fraud events and Health and Safety compliance reporting to improve controls / prevent recurrence.

c) The Risk Board should seek assurance in respect of the risk management arrangements in place for Council Programmes / Projects.

Management Actions to Address Issues/Risks

a) *The Board's role in relation to Compliance dashboards is now reflected within its Terms of Reference.*
b) *The Board's role in relation to Cluster risk reporting and health and safety compliance reporting is now reflected within its Terms of Reference.*
c) *The Board's role in relation to risk management arrangements for programmes is now reflected in its Terms of Reference. The first opportunity to consider these will be the April meeting.*

Risk Agreed	Person(s)	Due Date
a) Yes	a) Corporate Risk Lead	a) Implemented
b) Yes	b) Corporate Risk Lead	b) Implemented
c) Yes	c) Assurance Manager	c) April 2025

Ref	Description	Risk Rating	Moderate

1.3 **Cluster Risk Management** – Cluster Risk Registers set out the risks that may prevent each Cluster from delivering services, commissioning intentions and/or strategic outcomes. Risks contained within Cluster Risk Registers may be escalated to the Corporate Risk Register if required. To ensure these risks are adequately monitored, directors / chief officers are required to monitor Cluster Risk Registers monthly at their respective Function Assurance / Senior Management Teams Meetings.

The Senior Management Teams for Corporate Services, Families and Communities, and City Regeneration and Environment have standing agenda items to facilitate monitoring of Cluster risks.

With the exception of the IJB, which has its own Risk Management Policy and will be subject to a separate future planned audit, Cluster chief officers were contacted to gain assurance over Cluster risk management arrangements.

However, four (29%) of 14 chief officers contacted to provide evidence of risk management arrangements at a Cluster level did not respond. There is therefore no assurance that the chief officers concerned are monitoring their respective Risk Registers in collaboration with service managers to inform reporting to Function SMT meetings.

Also, one (10%) of ten responders confirmed risk management is not on their respective SMT agendas / related action notes, five (50%) did not provide Cluster SMT agendas / minutes to support Cluster Risk Register monitoring confirmed during the course of the review, whilst one of these Clusters confirmed their Cluster Risk Register is not reviewed by the SMT as frequently as required i.e. not occurring monthly.

This reduces assurance over the accuracy of Cluster Risk Registers, including identification of emerging risks known to service managers, and potentially impedes the assessment of existing risks for example to determine if they need escalated to the Corporate Risk Register.

Whilst the Risk Board monitors Cluster risks, all service managers do not sit on the Risk Board and as described above the reporting to Risk Board does not cover Cluster risk scores and control actions.

IA Recommended Mitigating Actions

Cluster Risk Registers should be monitored monthly by Cluster SMTs with service manager input to ensure required monthly Cluster Risk Register reporting to Directors is accurate.

Management Actions to Address Issues/Risks

Whilst this does currently take place across all Clusters, we recognise that this has not been evidenced for this audit other than through the changes made to risk registers by Chief Officers. Attempts will be made to record the changes to registers, in the longer term using the Compliance dashboards and in the immediate term through a set agenda issued to all Chief Officers.

Risk Agreed	Person(s)	Due Date
Yes	Assurance Manager	March 2025

4 Appendix 1 – Risk Appetite Statement

4.1   Risk appetite definitions

The following levels and ratings will be used to assess the risk in this report

Appetite Level (determined by risk category)	Approximate Target Risk Score Equivalent	Description	
Averse	1-6 (Low)	Avoidance of risk. Uncertainty in achievement of strategic objectives and delivery of outcomes is critical. Activities undertaken will only be those considered to carry virtually no risk.	**Threat** ↑
Cautious	8-9 (Medium)	Willing to accept/tolerate a degree of risk when selecting which activities to undertake in order to achieve a significant reward and to achieve delivery of strategic outcomes and objectives. The activities may carry a high degree of risk that will be mitigated and controlled.	
Open	10-12 (Medium)	Undertakes activities by seeking to achieve a balance between a high likelihood of successful delivery and a high degree of reward and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.	
Hungry	15-24 (High)	Eager to be innovative and choose activities that focus on maximising opportunities (additional benefits and goals) and offering potentially very high reward, even if these activities carry a very high residual risk.	↓ **Opportunity**

4.2   Overarching Risk Appetite Statement

Aberdeen City Council delivers a wide range of services to the citizens of Aberdeen. Risk management forms a fundamental part of its operations, and the Council recognises that whilst it may be desirable to avoid risks it must also accept risks in order for the Council to evolve and achieve its ambitions for the people and the place.

Strategic	The Council is **cautious** to risks which may threaten the delivery of critical services, our outcomes and commissioning intentions. The Council is **open** for taking well managed risks when opportunities provide clear benefits allowing for improvement, innovation, and transformation or when the threat from external factors necessitates a change in strategic direction. The Council has an **open** appetite for risks that provide and contribute to the economic prosperity of the City.
Compliance	The Council is **averse** to any risks that will result in non-compliance or breaches in statutory obligations, regulations, and law. Any deviation from our duties will require the appropriate approvals in place in advance.
Operational	The Council is **cautious** to any risks that may have a negative effect on the health and safety, diversity and equality of its staff, elected members and members of the public. The Council has an **open** appetite to the risks that allows it to deliver services in the face of growing demand including from external factors, provided these risks are assessed in light of our statutory duties and our agreed service standards.
Financial	The Council is **averse** to risks associated with impairing financial stewardship, internal controls, and financial sustainability. The Council has an **open** appetite for short-term risks that support financial performance and mitigate negative external factors. It has a **cautious** appetite for longer term capital and financial investments provided that the risks are well managed and demonstrate realisable future benefits for delivering the Council's outcomes and commissioning intentions.
Reputational	The Council relies on its reputation to ensure engagement with communities, partner organisations and stakeholders in order to deliver its strategic outcomes. The Council has a **cautious** appetite to reputational risk but will accept opposition when its activities and projects are on balance designed to secure longer-term benefits and improvements to service delivery, performance, outcomes and commissioning intentions or all of the above.
Environment/ Climate	The Council has an **averse** appetite for any risks that may have a long-term detrimental impact on the environment but is **hungry** for well managed risks in order to contribute to a net zero City and target of net zero Council emission by 2045. The Council is **cautious** to any risks relating to the impact of climate change which may threaten the delivery of critical services, our outcomes and commissioning intentions.

5 Appendix 2 – Assurance Terms and Rating Scales

5.1 Overall report level and net risk rating definitions

The following levels and ratings will be used to assess the risk in this report:

Risk level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual Issue / Risk Rating	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, which could result in, for example, a material financial loss. Action should be taken within three months.
Severe	This is an issue / risk that could significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

6 Appendix 3 – Assurance review scoping document

6.1 Area subject to review

Risk can be defined as the combination of the likelihood of an event occurring and its impact, should it occur. Local authorities have seen recent pressures due to reducing revenue streams and increasing customer-led demand on services. To meet these challenges, it may be necessary to take calculated risks and to take properly risk-assessed opportunities as they arise.

Risk Management Policy

The Council's Risk Management Policy states:

"Aberdeen City Council ("the Council") delivers a wide range of services to the citizens of Aberdeen, both in order to meet statutory requirements and to deliver on the outcomes set out within the Local Outcome Improvement Plan and associated strategies. Successful delivery of these services relies on a robust, clearly articulated and strongly embedded system of risk management".

Directors and chief officers are responsible for implementing the Council's Risk Management Policy and ensuring that appropriate and adequate resource is in place to do so. In addition, all members of staff across the Council are expected to assist with this including the identification, assessment, review and mitigation of risks that could impact on the delivery of the Council's outcomes. Support to this end is available from the Council's dedicated Corporate Risk Lead.

Risk Appetite Statement

The Council has an agreed Risk Appetite Statement setting out the amount of risk that is acceptable in the following risk categories in pursuit of corporate priorities:

- Strategic
- Compliance
- Operational
- Financial
- Reputational
- Environment / Climate

The statement provides various target risk scores which must be considered for the purposes of mitigating risks or justifying why risk scores exceed the Council's risk appetite.

Risk Recording and Reporting

The Council records its risks, with target and current scores and status of related control actions on various Risk Registers as shown in the table below:

Risk Register	Ownership	Review Forum / Reviewer	Frequency of Review
Corporate	Corporate Management Team	Risk Board	Monthly
Cluster	Directors and Chief Officers	Senior Management Team	Monthly
Operational	Optional - Individual Teams	Chief Officer	Regular
Programme and Project	Programme and Project Managers	Programme and Project Manager	Regular

The registers are complemented by assurance maps, which expand on risks and related controls by line of defence (do-er; helper/oversight; checker).

In addition to the above oversight, Audit Risk and Scrutiny Committee is responsible for ensuring the effectiveness of the Council's risk management system and must annually review and approve the Council's Risk Management Policy and Risk Management Statement as well as annually monitor the

Corporate Risk Register and related assurance maps. Furthermore, Cluster Risk registers are scrutinised annually by the respective policy Committee.

6.2 Rationale for review

The objective of this audit is to provide assurance over the Council's risk management arrangements at each level and ensure risk appetite is utilised across the delivery of operations.

This area was last reviewed in August 2019 as part of Internal Audit AC2004 Risk Management when risk managements were generally found to be adequate. Recommendations were agreed as part of this review to develop the Council's risk appetite statement; enhance written guidance; and formalise and standardise risk register review requirements and outcome recording.

6.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the **Corporate** level.
- Individual **net risk** ratings for findings.

6.3.1 Detailed scope areas

As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.

The specific areas to be covered by this review are:

- **Governance** – including policies, procedures, training, and central support.

- **Risk Registers** – including formation, updating, completeness and their use. This will also include an assessment of any other tools utilised across the Council.

- **Risk Management** – including appetite, mitigating actions and escalation.

- **Operationalisation** – including ensuring that risk management is supported, promoted, and lived across the Council.

- **Monitoring and Reporting** – including ensuring monitoring and reporting is taking place in line with the Council's Risk Management Guidance.

Where individual services and risk owners are responsible for elements of the risk management framework, this review is focused on the central controls and the second line operations. As such, where we recognise many different stakeholders in the process, any recommendations made will be targeted at those centrally.

6.4 Methodology

This review will be undertaken through interviews with key staff involved in the process(es) under review and analysis and review of supporting data, documentation, and paperwork. To support our work, we will review relevant legislation, codes of practice, policies, procedures, and guidance.

Due to hybrid working arrangements, this review will be primarily undertaken remotely.

6.5 IA outputs

The IA outputs from this review will be:

- A risk-based report with the results of the review, to be shared with the following:
  o Council Key Contacts (see 1.7 below)
  o Audit, Risk and Scrutiny Committee (final only)
  o External Audit (final only)

6.6 IA staff

The IA staff assigned to this review are:

- Andy Johnston, Audit Team Manager **(audit lead)**
- Jamie Dale, Chief Internal Auditor **(oversight only)**

6.7 Council key contacts

The key contacts for this review across the Council are:

- Andy MacDonald, Executive Director – Corporate Services
- Vikki Cuthbert, Interim Chief Officer – Governance **(process owner)**
- Ronnie McKean, Corporate Risk Lead

6.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	30-Jul-24
Scope agreed	06-Aug-24
Fieldwork commences	26-Aug-24
Fieldwork completed	20-Sep-24
Draft report issued	11-Oct-24
Process owner response	01-Nov-24
Director response	08-Nov-24
Final report issued	15-Nov-24