STRATEGIC RISK ASSURANCE MAPPING EXERCISE

1 SUMMARY

1.1 This report sets out internal audit's assessment of the sources of assurance for the Audit Committee on the management of the Council's strategic risks.

The report describes the approach to the work and the outcomes, including recommendations for future internal audit work.

Appendix A highlights our overall assessment against each of the strategic risks. It should be noted that the assessment is based on the level of assurance that the Committee can rely on at each level. A 'low' level therefore highlights where there are gaps in evidence of active /targeted actions /activity and therefore the level of assurance that can be given, rather than an assessment on the management of that risk.

2 RECOMMENDATIONS

2.1 The Audit Committee notes the Risk Assurance Map at Appendix A.

2.2 The Audit Committee considers implications for the Internal Audit annual plans in 2016-17 and 2017-18.

3 BACKGROUND

3.1 We agreed with the Audit Committee that internal audit would prepare and update an assurance mapping exercise on an annual basis to:

- give senior management and elected/committee members comfort that there is a comprehensive risk and assurance framework with no duplicated effort or potential gaps

- ensure that internal audit plans are targeted to address the key risks facing the Council, and where assurance gaps remain

- identify any potential areas of overlap or duplication of assurance.

3.2 Appendix A provides a summary of the Council's strategic assurance map which follows the three lines of defence model.

The assurance map details where the Audit Committee can gain assurance against the monitoring and management of strategic risks.

The assurance map is based on the following three lines of defence model:

First Line	Second Line	Third Line
The first level of the defence is the control environment - the business operations that perform day to day risk management activity	Oversight functions such as the SMT (operating as the Risk Management Group) and individual committees set directions, define policy and provide assurance	Internal and external audit, and any other scrutiny or regulatory body, offer independent challenge to the levels of assurance provided by business operations and oversight functions

4   FINDINGS

4.1   The Assurance Map has identified 2 areas where independent assurance has been limited. These are:

- reputation; and
- demographic changes.

4.2   In the draft Internal Audit Annual Plan 2016-17, Internal Audit has identified an audit relating to the Arrangements for Service Planning. The scope of this audit could therefore include arrangements to monitor the impact of demographic change. The Audit Committee uses the Assurance Map to inform and consider the Internal Audit Annual Plan for 2016-17 and 2017-18.

4.3   Appendix A highlights that there has been limited movement in the residual risk scores, despite mitigating actions and reporting, as a result of the longer term nature of strategic risks and the time necessary to observe improved outcomes.

4.4   A key improvement during 2015 is the introduction of risk tolerance and appetite to the Council's risk management processes. This will allow the Council to better monitor the effectiveness and impact of mitigating actions. It is too early in the development of the revised approach to conclude on the effectiveness of arrangements, but our assessment of risk management arrangements in 2016-17 will consider the extent to which risk appetite and tolerance are understood and embedded across the Council.

5   CONCLUSION

5.1   Overall, Appendix A highlights a strong performance management framework is in place across the Council. We have used the exercise to

highlight areas for improvements to the assurance framework, to ensure that the Audit Committee and Performance Review and Scrutiny Committee understand how risks are managed and mitigated.

6   IMPLICATIONS

6.1   Legal – None.
6.2   Finance – None.
6.3   HR – None.
6.4   Policy – None.
6.5   Risk – None.
6.6   Equalities – None.
6.7   Customer Services – None.

For further information please contact

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APPENDIX A: Strategic Risk Assurance Map

Risk	Risk Title and Description	Risk Score December 2015	Risk Score December 2014	First Line of defence	Second Line of Defence	Third Line of Defence	Assessment
1	Population and Economic Decline	**Red 16**	**Red 16**	• Economic Forum • PPMF/quarterly scorecards • Service Planning linked to SOA/Corporate Outcomes • Economic Development Action Plan • Exception reporting within Team Quarterly Performance Report	• Quarterly performance reports considered by Performance Review and Scrutiny Committee • Quarterly Department Updates challenged by SMT • CHORD progress updates to Policy & Resources Committee • Audit Committee review of CHORD Action Plan • D & I quarterly performance reporting to Environment, D & I Committee • D & I Annual Performance Report • SOA Delivery	Internal audit coverage: • CHORD (Limited Assurance) • Employability (Substantial Assurance) • Business Support (Substantial Assurance) • Single Outcome Agreement (Substantial Assurance) External audit coverage: • CHORD Project – focussed follow up work on the Oban Bay/Harbour project **Future:** Internal audit Sustainable Communities 2016-17 External audit will continue to monitor CHORD projects	There are a range of assurance sources across the three lines of defence.

Risk	Risk Title and Description	Risk Score December 2015	Risk Score December 2014	First Line of defence	Second Line of Defence	Third Line of Defence	Assessment
					Plan reported to Council		
2	Condition and suitability of overall Council Infrastructure and asset base	Amber 12	Amber 12	• Strategic Infrastructure Plan – sets out a plan for the strategic infrastructure to support economic growth • Direct link to Corporate Objectives within the Corporate Plan • Service Planning linked to SOA/Corporate Outcomes • PPMF/quarterly scorecards • Exception reporting to DMT	• Quarterly performance reports considered by Performance Review and Scrutiny Committee • Quarterly Department Updates challenged by SMT • D & I quarterly performance reporting to Environment, D & I Committee • D & I Annual Performance Report • Corporate Asset Management Strategy reported to Policy & Resources Committee	Internal audit coverage: • Roads Maintenance Prioritisation (Limited Assurance) • Land and Asset Review (Limited Assurance) External audit coverage: • Asset Management review CIPFA • Independent health check on review of assets Local Government Benchmarking Framework 2013-14: • Corporate Services: Asset Management Suitability (4th Quartile) • Corporate Services: Asset Management Suitability (2nd Quartile) **Future:** Internal Audit Property	Independent assurance processes during 2015-16 have largely focused on asset disposals, rather than the condition and suitability of the Council's infrastructure. Good level of assurance from management reporting, and supported by benchmarking across other Councils.

Risk	Risk Title and Description	Risk Score December 2015	Risk Score December 2014	First Line of defence	Second Line of Defence	Third Line of Defence	Assessment
						Maintenance	
3	External – built environment is not maintained to an adequate standard.	Amber 12	Amber 12	• Local Development Plan • Planning and Regulatory Services Service Plan and quarterly monitoring	• SMT – regeneration focus • CHORD progress updates on Townscape Heritage Initiative (THI) • Reports on Conservation Area Regeneration Scheme (CARS) funding • THI progress reports to Council	Internal audit coverage: • Enforcement/retrospective permissions • THI and CARS monitoring of outcomes	This risk relates to non-Council assets. However, the THI and CARS projects are subject to external funding and therefore monitoring of progress. Third line of defence coverage relating to Council enforcement actions and monitoring of outcomes.
4	Welfare Reform – implementation is not managed well resulting in increased poverty and deprivation or short term crisis.	Amber 12	Amber 12	• Community and Social Services Service Plan • Service Planning linked to SOA/Corporate Outcomes • PPMF/quarterly scorecards • Project Board in place with	• Welfare Reform Working Group (WRWG) report to SMT • SMT ongoing monitoring of risk Consideration or high and medium hardship cases • Oversight by the Community Services	Internal audit coverage: • Housing Welfare Payments External audit high level review of Welfare Reform arrangements - no recommendations arising	There are a range of assurance sources across the three lines of defence.

Risk	Risk Title and Description	Risk Score December 2015	Risk Score December 2014	First Line of defence	Second Line of Defence	Third Line of Defence	Assessment
				partners - and monitoring of associated action plan	Committee		
5	Political Leadership – political instability means there is a lack of collective strategic leadership by councillors	**Amber 12**	**Amber 12**	• Corporate Governance Improvement Plan • Audit Scotland Action Plan and monitoring • Customer Services Service Plan and associated outcomes/monitoring	• Customer Services Quarterly Performance Reporting to Performance Review and Scrutiny Committee	**Future**: Audit Scotland Best Value follow up work anticipated in December 2015	Post-implementation review will be conducted by Governance & Law. Internal audit follow up likely to be considered in 2017.
6	Finance – income and funding	**Amber 12**	**Amber 12**	• Strategic Finance Service Plan • Medium Term Financial Strategy • Finance Outcome measures within Scorecards	• Policy & Resources Committee consider Financial Monitoring reports, including monitoring of financial risks • Service Choices – Investing for Income	External audit: • Work on Financial Management and Sustainability included review of budget and actual income streams to consider potential areas of risk.	There are a range of assurance sources across the three lines of defence.

Risk	Risk Title and Description	Risk Score December 2015	Risk Score December 2014	First Line of defence	Second Line of Defence	Third Line of Defence	Assessment
					• Budget and budget working papers considered by full Council		
7	Health and Social Care Integration	Amber 12	Red 15	• Reflected within Service Plans and therefore subject to monitoring at DMT/SMT level • Action Plan developed by Project Implementation Team • Strategic Plan in place and subject to consultation	• Progress reports considered by the Community Services Committee • Standing item on community planning groups/board	Internal audit: • Health and Social Care Governance Arrangements (substantial assurance) External audit overview of arrangements	Good level of coverage across three lines of defence.
8	Reputation – the Council fails to maximise its profile at national level. Trust and integrity of the Council is undermined.	Amber 12	Amber 12	• Performance and Community Engagement reflected within Service Plans • PPMF in place	• Local Government Benchmarking Framework and annual reporting mechanisms • Customer satisfaction ratings	External audit: • Audit Scotland's assessment of Public Performance reporting	Lack of specific assurance on reputation but customer satisfaction and service planning processes are incorporated within the Council's PPMF.
9	Demographic change	Amber 12	Amber 12	• Population Summit • SOA annual profile update and planning pmrocesses	• SMT receive reports on population change • PRS Committee receive reports	**Future**: • Arrangements for Service Planning	No third line coverage providing assurance that planning is effective. Potential to therefore include demographic

Risk	Risk Title and Description	Risk Score December 2015	Risk Score December 2014	First Line of defence	Second Line of Defence	Third Line of Defence	Assessment
				• Service Planning arrangements – guidance and approach	on population change		change within scope of Service Planning audit.
10	Finance - expenditure	Amber 12	Amber 12	• Service Choices framework • Strategic Finance Service Plan • Medium Term Financial Strategy • Finance Outcome measures within Scorecards	• Policy & Resources Committee consider Financial Monitoring reports, including monitoring of financial risks • Service Choices – community engagement and challenge process • Budget and budget working papers considered by full Council	External audit: • Work on Financial Sustainability and follow up of recommendation	Coverage across all three lines of defence.
11	Partnership governance	Amber 9	Amber 9	• SOA delivery plans which make clear links to individual partner contributions • DMT quarterly performance reporting	• Governance review of CPP presented to the Audit Committee	Internal audit: • Single Outcome Agreement Delivery Plan monitoring	Coverage across all three lines of defence.
12	Engagement and alignment of service	Amber 8	Amber 8	• Community Engagement Strategy	• Service Choices and Planning for Our Future	Internal audit: • Single Outcome	Coverage across all three lines of

Risk	Risk Title and Description	Risk Score December 2015	Risk Score December 2014	First Line of defence	Second Line of Defence	Third Line of Defence	Assessment
	delivery			• PPMF and quarterly monitoring • Departmental scorecards include measures on customer satisfaction	community engagement overseen by the P&R Committee • SOA Delivery Plan	Agreement Delivery Plan monitoring	defence and key improvements noted via the Service Choices framework
13	Leadership and management - A lack of Strategic Leadership and Direction will have a negative impact on the ability of the Council to set out strategic objectives and then align service delivery and resources to ensure these objectives are achieved.	Amber 8	Amber 8	• Corporate Plan sets out overall Council objectives. • Community Plan/SOA sets out CPP objectives with clear links to Council contributions • PPMF and service planning and associated monitoring .	• Corporate Improvement Strategy considered by the P&R Committee • Service Choices and Planning for Our Future community engagement overseen by the P&R Committee • Audit Scotland Improvement Plan and monitoring reports	Internal audit: • Single Outcome Agreement Delivery Plan monitoring External audit: • Audit Scotland Best Value follow up	There are a range of assurance sources across the three lines of defence.
14	Civil contingency and business continuity	Amber 6	Amber 8	• Critical activities identified within review of business continuity arrangements • West of Scotland local resilience	• Critical Activity Recovery Plan (CARP) updates to DMT/SMT. • Pyramid and Performance Scorecards updated	Internal audit Review of Business Continuity in 2013-14 restricted to Educational Establishments	Scope to provide additional 3rd tier assurance on management of CARP.

Risk	Risk Title and Description	Risk Score December 2015	Risk Score December 2014	First Line of defence	Second Line of Defence	Third Line of Defence	Assessment
				partnership provides additional support • Community resilience plans	quarterly with status of CARP actions and reviewed by PRS		
15	Management of Services - Services and resources are not effectively managed. Services fail to achieve agreed performance levels.	Amber 6	Amber 6	• Service Planning process • PPMF including quarterly reporting • DMT exception reporting/monitoring	• Quarterly performance reports to the PRS Committee.	Internal audit: • Performance Management review	Coverage across all three lines of defence.