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## ARGYLL AND BUTE COUNCIL – STRATEGIC FINANCE

### BRIEFING NOTE FOR MEMBERS OF AUDIT COMMITTEE ON UPDATE ON RISK MANAGEMENT – 10 DECEMBER 2010

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#### 1 SUMMARY

- 1.1 This note provides an update of the position with respect to the Council's risk management arrangements.

#### 2 DETAIL

- 2.1 Responsibility for risk management transferred to Strategic Finance following the restructuring at department and head of service level. Formal arrangements to identify staffing and responsibility for leading on risk management has still to be finalised within Strategic Finance and this will be addressed in the near future. To date individual staff have been allocated certain tasks on an ad-hoc basis. The Governance Manager has continued to provide helpful assistance to assist in the transfer.
- 2.2 The risk registers continue to be maintained in Pyramid and summary information has been reported through the service, department and council scorecards at end of June and end of September. The risk registers have been updated at the end of each quarter.
- 2.3 There were a number of audit actions arising from internal audit reviews of risk management that were due for implementation in September, October and November. These have been delayed. Currently much of the drafting of the relevant papers has been completed and they are currently awaiting a final review and clearance from me before being exposed to wider consultation within the Council. The papers/documents currently in draft include:
- A revised risk management policy statement
  - A revised risk management strategy
  - A risk management improvement/action plan
  - A revised risk management guidance manual
  - A statement on the process and timescales for reporting on risk management as part of the Council's planning cycle, in terms of quarterly monitoring and as part of an end of financial year review. These also cover format/specification for these reports. They cover reporting on the risk management improvement/action plan, strategic risk register and operational risk registers.
  - A statement outlining the roles and responsibilities for risk management and the overall governance arrangements has also been drafted.
- 2.4 The set of documents outlined above would cover most of the outstanding audit recommendations. Once finalised these will address most of the audit actions.
- 2.5 The remaining audit actions relate to a review of the strategic and operational

risk registers. A revised structure for these based on the findings from the internal audits is being progressed. There is still some work to complete on this and then a process of reviewing the risk registers against this needs to take place. It would be my intention to complete this by the middle of February to ensure it can be reported to the next Audit Committee.

- 2.6 Whilst the audit actions on risk management remain outstanding this note indicates that work is being carried out to address them. The audit recommendations are attached for completeness.

Bruce West  
Head of Strategic Finance  
10 December 2010



ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATES OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
787		relevant individuals and groups involved within the risk management process.	<p>the Council's management arrangements.</p> <p>2. Management should ensure that terms of reference for all groups within the Council are clearly outlined, including their responsibilities and role in terms of the risk management process.</p> <p>3. Information on the roles and responsibilities in respect of the risk management governance process should be clearly outlined within the Council's risk management framework</p> <p>This will form a key milestone within the road map to be developed by 31 October 2009</p>	Finance			
3	HIGH	Risk Identification & Assessment The existing risk identification and assessment process should be further developed to provide clear and transparent guidance for all stakeholders.	<p>1. Management should modify existing documentation to develop a risk management framework.</p> <p>2. Management should consider updating the existing risk register templates in order to strengthen their role as a tool within the risk management process</p>	Governance and Risk Manger now Head of Strategic Finance	31 October 2010 30 November 2010		

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788			This will form a key milestone within the road map to be developed by 31 October 2009				
4 789	MEDIUM	<p>Risk Aggregation</p> <p>The risk aggregation process has yet to be clearly defined to ensure the effective aggregation of risks from 13 operational risk registers into one strategic risk register</p>	<p>1. Management should embed a risk aggregation process within the organisation that defines how risks from the 13 operational risks registers are recorded and distilled onto the strategic risk register.</p> <p>2. Management should define the risk appetite for the Council within the risk management framework document and referenced within the risk management policy</p> <p>This will form a key milestone within the road map to be developed by 31 October 2009</p>	Governance and Risk Manger now Head of Strategic Finance	31 October 2010 30 November 2010		
5	LOW	<p>Risk Monitoring &amp; Reporting</p> <p>No formal risk reporting process has yet been developed, however, ongoing developments with Pyramid are acknowledged.</p>	<p>1. Management should consider the process for refining the risk reporting process and outputs to ensure risk reports contain relevant, transparent and reliable data.</p> <p>2. The risk reporting process and examples of effective risk reporting should be documented within the</p>	Governance and Risk Manger now Head of Strategic Finance	31 October 2010 30 November 2010		

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790			<p>risk management framework guidance.</p> <p>This will form a key milestone within the road map to be developed by 31 October 2009</p>				
791	6 HIGH	<p>Communication &amp; Change</p> <p>No road map or implementation plan exists to improve and develop the existing risk management process.</p>	<p>1. Management should develop a road map that defines the ultimate objective for the Council in terms of risk management process and determine that appropriate milestones and resources are allocated to support delivery.</p> <p>2. Following the approval of an updated risk management policy and framework document, management should formulate and implement an engagement and communication plan to ensure all employees understand and see value in the risk management process adopted by the Council.</p> <p>The road map will incorporate all the points highlighted in this report identifying milestone completion dates that reflect the rating given to the individual findings.</p>	<p>Governance and Risk Manger now Head of Strategic Finance</p>	<p>31 October 2010 30 November 2010</p>		

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<b>REVIEW OF THE STRATEGIC RISK REGISTER</b>							
869	2 HIGH	Our examination of the current 34 strategic risks found that these did not appear to be arranged in any particular order, although certain risks were similar in nature and could potentially be grouped together.	Consideration should be given to grouping risks under appropriate risk headings to make the risk register more accessible and easier to understand. Our specimen risk framework containing 12 key risk areas has been provided for consideration. See Appendix 3.	Governance and Risk Manger now Head of Strategic Finance	31 May 2010 30 September 2010 31 October 2010 30 November 2010		
870	3 HIGH	The preparation of the Specimen Risk Framework schedule provided a useful audit tool to further examine the linkage of the underlying risks to the strategic risk register. This could also provide the basis for management to ensure that the appropriate linkages initially exist and remain intact as risk management within the Council evolves.	Consideration should be given to preparing a schedule in a similar format to the Internal Audit version, outlined in Appendix 4, on an annual basis to provide a management overview mechanism. This will provide evidence that the appropriate linkages remain intact.	Governance and Risk Manger now Head of Strategic Finance	31 May 2010 30 September 2010 31 October 2010 30 November 2010		
871	4 MEDIUM	In examining the Operational Risk Registers it is not apparent which are strategic risks, included in support of the strategic risk register, and which are separate operational risks, identified as specifically relating to that service.	In the operational risk description within Pyramid the services should identify where applicable which strategic risk it is linked to.	Governance and Risk Manger now Head of Strategic Finance	31 May 2010 30 September 2010 31 October 2010 30 November 2010		
5	MEDIUM	Our work has identified additional potential strategic risks and		Governance and Risk	31 May 2010 30 September		

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATES OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
872		<p>suggested refinements for consideration as follows:</p> <p>5.1 Failure to realise efficiency gains should be amended to failure develop shared services opportunities – Internal &amp; External</p> <p>5.2 Failure in reliable provision of core ICT infrastructure</p> <p>5.3 Failure to develop eProcurement</p> <p>5.4 Strategic risk 24 could be extended to cover 'UK and European' Government Policy (as well as Scottish Government)</p> <p>5.5 Best Value – Policy &amp; Strategy currently take corporate lead, but certain departments have identified a risk in respect of BV in their departments.</p>	<p>Consideration of the specific risk issues raised should be covered in the current review and development phase of risk management.</p> <p>Consideration will be given to including these risks 5.2 and 5.3.</p> <p>Consideration will be given to amending the risk description per 5.4.</p> <p>Creation of a link from the Operational Risk register to the Strategic Risk Register should be considered.</p>	Manger now Head of Strategic Finance	2010 31 October 2010 30 November 2010		