

RISK MANAGEMENT

1 SUMMARY

- 1.1 This report updates the Audit Committee with current progress in relation to development of risk management.

2 RECOMMENDATION

- 2.1 The terms of this project are noted.

3 DETAIL

- 3.1 Quarterly progress reports on the Strategic Risk Register and Operational Risk Registers for the quarters ending 31 December and 31 March have been submitted to SMT. The existing SRR and ORRs have been reviewed / monitored during 2010-11. Summary information on the analysis of risks and red, amber and green classifications has been included on quarterly performance scorecards reported to the Executive Committee.

- 3.2 There have been a number of audit report actions relating to the development of risk management outstanding. These are noted below:

- 1 Risk Management Policy & Framework
The risk management policy and risk management framework document would benefit from updating to reflect the ongoing development of the risk management process within the Council. Once updated this should be approved by the SMT and the Council.
- 2 Oversight and Challenge
The governance responsibilities for risk management have yet to be fully and clearly defined across the organisation, including to all relevant individuals and groups involved within the risk management process.
- 3 Risk Identification & Assessment
The existing risk identification and assessment process should be further developed to provide clear and transparent guidance for all stakeholders.
- 4 Risk Aggregation
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

5 Risk Monitoring & Reporting
No formal risk reporting process has yet been developed, however, ongoing developments with Pyramid are acknowledged.

6 Communication & Change
No road map or implementation plan exists to improve and develop the existing risk management process.

7 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.

8 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.

9 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.

10 Our work has identified additional potential strategic risks and suggested refinements for consideration as follows:

5.1 Failure to realise efficiency gains should be amended to failure develop shared services opportunities – Internal & External

5.2 Failure in reliable provision of core ICT infrastructure

5.3 Failure to develop eProcurement

5.4 Strategic risk 24 could be extended to cover 'UK and European' Government Policy (as well as Scottish Government)

5.5 Best Value – Policy & Strategy currently take corporate lead, but certain departments have identified a risk in respect of BV in their departments.

3.3 A review of the risk management framework has taken place and the undernoted document revised and prepared. The documents have been considered by SMT and are currently being reviewed by DMTs and the Risk Management Group. This review stage will be completed by the end of June. This will address recommendations 1 to 6 and 8 outlined in

paragraph 3.2 above.

3.4 Internal Audit carried out a review of risk management and have identified some further improvements to the Councils approach to risk management,. These recommendations are noted below. Those due by 30 June will be addressed as part of finalising the risk management framework outlined in paragraph 3.3 above.

- 1 The Council should set out formally its appetite for risk in terms that will enable those involved in determining how risks are to be treated are aware of the Council's policy on the management of different levels of risk. The risk culture should make clear the responsibilities or risk owners and the need for them to set risk targets within the context of the culture **June 30th 2011**
- 2 The roles and responsibilities of existing bodies should be reviewed, and the revised functions of these bodies, together with any additional input from key staff should be set out in detail. **June 30th 2011**
- 3 A simplified document should be prepared for those new to risk management. The document should in particular deal comprehensively with the causes of risk as a key factor in risk identification and management. **June 30th 2011**
- 4 The risk scoring methodology should be reviewed with a view to better representing the relative value of each risk, and the component elements which together make up the risk value. **June 30th 2011**
- 5 Detailed guidance on risk scoring should be provided, and a training programme initiated to address weaknesses in this area. **June 30th 2011**
- 6 Consideration should be given to using risk assurance statements as a means of enhancing accountability **March 31st 2012**
- 7 The Council should explore alternatives to Pyramid as a means of managing the risk registers. **September 30th 2011**

3.5 Reviews of the SRR and ORRs are currently taking place. They should be

completed by the end of June. This will update and revise the SRR and ORRs and in particular address the outstanding audit recommendations 7,9 & 10 of paragraph 3.2 above

3.6 The following calendar of risk management activity / reporting is in place;

- June - Finalise risk management framework
Complete review of SRR & ORRs
Start of Planning Cycle reports on SRR & ORRs.
- July - Quarterly reports on SRR & ORRs and risk management action plan for June
- August - Update start of planning cycle reports on SRR & ORRs.
- September - Quarterly reports on SRR & ORRs and risk management action plan for September.
- January - Quarterly reports on SRR & ORRs and risk management action plan for December.
- March - End of Planning Cycle reports on SRR & ORRs
Review of risk management framework and identify changes to be put in place for 2012-13.
- April - Quarterly reports and end of financial year reporting on SRR & ORRs and risk management action plan.

Bruce West
Head of Strategic Finance
15 June 2011