

RISK MANAGEMENT AND AUDIT

1.0 EXECUTIVE SUMMARY

The Audit Committee requested a report from the Chief Executive on the overall approach to risk management and an outline of the current position /progress on how strategic risks were being addressed and linkage to internal and external audit.

The report details key issues/developments in relation to risk management and related activities around internal and external audit. Including items relating to Strategic Risks and Priorities, Operational Risks, Financial Risks, Strategic Risk Group, risk Management Improvement, members training, internal and external audit.

RISK MANAGEMENT AND AUDIT

2.0 INTRODUCTION

- 2.1 This report sets out a summary of the key issues / developments in relation to risk management and related activities around internal and external audit. The report sets out how as Chief Executive I have oversight of these areas and also sets down some of the important developments over the last year. The report is intended as a high level overview and further detail on any individual aspect can be provided.

3.0 RECOMMENDATIONS

- 3.1 The Audit Committee note the terms of this report.

4.0 DETAIL**Strategic Risks & Priorities**

- 4.1 The Strategic Risk Register was subject of a detailed review around 12 months ago. This resulted in a “new” SRR being presented to the Council in June 2013. The new SRR has been monitored and quarterly reports submitted to the Performance Review and Scrutiny Committee during 2013-14. A members seminar on 7 April 2014 reviewed the SRR and the useful feedback from the seminar has been considered in revising the updated SRR submitted to PRS on 29 May. Members have been given a further opportunity to provide comments on the SRR prior to consideration by the Council on 26 June.
- 4.2 The Single Outcome Agreement sets out an overall objective of economic development and reversing population decline - “Argyll and Bute’s economic success is built on a growing population”. This is backed up by 6 outcomes. The SOA is designed to address a number of the strategic risks in the SRR.
- 4.3 Delivery plans for each of the 6 SOA outcomes are in the process of being finalised. These will be submitted to the Council on 26 June 2014. A lead from the CPP has had responsibility for development of each SOA outcome delivery plan. Through this approach and consideration by the CPP Chief Officer Group and CPP Management Committee there has been “buy in” and commitment from all partners to the SOA delivery plans.
- 4.4 The PPMF sets out the approach to planning within the Council. This requires services to consider the commitments in the SOA and SOA delivery plans and the risks in the SRR and ORR in developing service plans.
- 4.5 The Council faces a challenging financial outlook due to the national /global economic circumstances and more locally population decline. This is also a time when significant investment is required to address the commitments set

out in the SOA and the key risks around economic and population decline etc in the SRR. The Council faces the challenge of a reducing resources base but increasing costs and demands for significant investment. It is essential the Council resources are allocated to its priorities. The service prioritisation process currently being developed will require the Council to consider how well activities and expenditure contribute to the SOA or otherwise reduce risks in the SRR. This process will need to ensure budgets are allocated to Council priorities.

- 4.6 Related to the above then across the CPP similar consideration will need to be given to the contributions being made to SOA outcomes. The CPP will need to take a wider look at activities, resources and expenditure. The potential for reallocating expenditure and budget will be a key test of both partners and the commitment to the SOA.
- 4.7 There is no single approach to addressing the challenge facing Argyll and Bute. The combination of factors /actions set out in this report should move us in the right direction. This progress will be monitored and reported periodically to identify progress and any additional or alternative action required.

Operational Risks

- 4.8 The ORRs were subject to a major review during 2013-14. They are kept under review on an ongoing basis. Each quarter a report on the ORRs and changes to them is submitted to SMT and the SRG.
- 4.9 As part of the service planning process the service outcomes are reviewed to ensure the demand risks facing a service are being addressed.

Financial Risks

- 4.10 A process for identifying key financial risks and their potential budgetary impact was established a few years ago. This was further developed to ensure that financial risk information was reported in a summary format each quarter as part of the budget monitoring report.
- 4.11 There was scope to improve the process and approach to monitoring and reporting financial risks. Officers in Strategic Finance have been asked to review this process and are developing a revised approach that will simplify the identification and assessment of financial risks and streamline the reporting. A separate financial risks report will now be prepared and reported to Policy and Resource Committee every 2 months.

Strategic Risk Group

- 4.12 The SRG is meeting on a quarterly basis. Membership comprises:
- Chief Executive;
 - The 3 Executive Director;
 - Heads of Improvement & HR, Customer and Support Services, Governance and Law and Strategic Finance; and
 - The Health & Safety Manager, Governance Manager, Chief Internal Auditor.

The SRG considers reviews of SRR and ORRs, results of CIPFA benchmarking, updates to risk management policy and guidance on key issues related to Health & Safety, business continuity and civil contingencies etc.

Risk Management Improvement

- 4.13 The Council continues to be a member of the CIPFA Risk Management Benchmarking Club. The results of the 2013 exercise were reported to the Audit Committee in September 2013. The information for 2014 is currently being collated and returned to CIPFA. The results are expected in the next few months and again will be reported to the September meeting of the Audit Committee.
- 4.14 Grant Thornton recently completed a review on risk management. This has been used to develop the risk assessment for the 2014-15 Internal Audit Plan and a final report will be submitted to the Audit Committee in September.
- 4.15 An improvement plan (Risk Management Action Plan) for risk management is maintained. This will be updated to reflect the key issues coming from the risk management audit and the outcome of the CIPFA benchmarking report.

Members Training

- 4.16 Over the last few months members have been offered 2 opportunities to participate in risk management and develop their knowledge. Attendance at the seminars has been good with 22 and 23 members in attendance. On 7 April a seminar was held to consider the draft SRR. Members reviewed each of the risks and contributed useful feedback on a number of aspects of the SRR which have been considered in preparing the latest update to the SRR. On 2 June members received 2 presentations from Zurich Risk Engineering on key issues / principles around risk management and from the Head of Strategic Finance on the Argyll and Bute Council approach to risk management.

Internal Audit

- 4.17 With the Chief Internal Auditor post filled on a seconded basis it is my intention to revert to the practice of recurring and regular briefings on audit matters. This would cover progress with the audit plan, considering the key issues arising from audit reports, reviewing internal audit performance and discussing internal audit development issues. This will include reviewing any changes to the audit risk assessment and any implications from this for the audit plan.
- 4.18 I continue to receive copies of all internal audit reports and the Chief Internal Auditor has direct access to me (and vice versa) should this be required. I receive a briefing on the Audit Committee papers.
- 4.19 It is important that management address action agreed as part of an audit and each month at SMT we review progress on all outstanding audit recommendations.

External Audit

- 4.20 I meet the Council's external auditors on several occasions during a year. A meeting is always held to discuss the Assessment and Improvement Plan prepared jointly by all audit and inspection agents. With the Head of Strategic Finance I have the opportunity to comment on the proposed external audit plan and fee level. During the year I am able to comment on all external audit reports at the draft stage. Follow up of external audit activity is reviewed on a monthly basis by SMT.

5.0 CONCLUSION

- 5.1 The Council exists in a complex and challenging environment. The SRR comprises the key challenges / risks facing the Council. There are a range of organisational procedures in place to address this with operational risk register and service plans etc. to support the process.

6.0 IMPLICATIONS

- 6.1 Policy – None. Report is for noting
- 6.2 Financial – None. Report is for noting
- 6.3 Legal – None. Report is for noting
- 6.4 HR – None. Report is for noting
- 6.5 Equalities– None. Report is for noting
- 6.6 Risk– None. Report is for noting
- 6.7 Customer Service– None. Report is for noting

Sally Loudon Chief Executive
15 June 2014

For further information contact: Kevin Anderson, Chief Internal Auditor 01369 708505

APPENDICES

None