

## REPORT TO THE AUDIT COMMITTEE – 1 JULY 2021

### RISK MANAGEMENT REVIEW

#### **1 Reason for Report/Summary**

- 1.1 The purpose of this Report is to advise Committee of the conclusions arising from the review of Aberdeenshire Council's Risk Management arrangements.

#### **2 Recommendations**

**The Committee is recommended to:**

- 2.1 Consider and discuss the findings of the Risk Management Review set out in paragraphs 5.1 to 5.11.**
- 2.2 Note the next steps in developing a distinct Risk Management Strategy and Framework, building on the strengths of the current arrangements, and incorporating the proposals from the findings of the Risk Management Review as set out in Appendix 3**
- 2.3 Agree to receive a receive a Report by November 2021 setting out a proposed Risk Management Strategy and Framework for comment and endorsement, following consultation with Directorate Management Teams, Area and Policy Committees and prior to approval by Business Services Committee.**

#### **3 Purpose and Decision-making Route**

- 3.1 The purpose of the Report is to summarise the main findings of the Risk Management Review, which has been undertaken by the Risk and Resilience Team.
- 3.2 The aim of the review was to assess the existing risk management strategy and processes, build on areas of strength, identify areas of vulnerability, and provide assurance to elected members.
- 3.3 The detailed findings of the Risk Management Review have been shared with Strategic Leadership Team, Directorate Management Teams and the Corporate Risk Management Steering Group, whose comments and feedback will be reflected in the proposed Risk Management Strategy and Framework.
- 3.4 Consultation on the proposed Risk Management Strategy and Framework will be undertaken with Directorate Management Teams, Area and Policy Committees, prior to a report coming back to Audit Committee by November 2021 with a proposed Risk Management Strategy and Framework for consideration and endorsement. Final approval of the Strategy and

Framework shall thereafter be sought from Business Services Committee as the relevant Policy Committee with the remit for Finance, and therein Risk and Resilience.

#### **4 Current Risk Management Arrangements**

- 4.1 The Council's current [Risk Management and Business Continuity Strategy](#) sets out the Council's long-term objectives to organisational resilience, setting Risk Management within the context of Business Continuity and Emergency Planning. Appendix 1 to this Report is a diagram of the Current Risk Management Framework.
- 4.2 The Risk Management Policy and Procedures set out what is expected of employees regarding risk management.
- 4.3 The Risk Register process is used by the Council to identify, document, assess, manage, monitor, and report on these risks and these are as follows:
- Corporate and Directorate Risk Registers which detail the recording of strategic risks and risks of operational significance the organisation may encounter.
  - Operational Risk Registers which record the risks to day-to-day operations the organisation may encounter through for example human error, ineffective or inadequately designed processes, systems failure, or improper conduct (including criminal activity).
  - The Partnership Risk Register holds all the information surrounding the risks which may affect the Aberdeenshire Council Health and Social Care Partnership.
  - Project Risk and Issue Logs which should accurately reflect the risks and issues facing any Aberdeenshire Council Project and provides a record of these risks and issues.
- 4.4 The Council has Risk Register Guidance Notes which provide instructions as to how to complete a risk register to create a consistent approach across the Council.

#### **5 Risk Management Review Findings**

- 5.1 Risk Management, Business Continuity and Emergency Planning are contained within one strategy, which presents a challenge because whilst Business Continuity and Emergency Planning are statutory functions under the Civil Contingencies Act 2004, Risk Management is non-statutory and whilst there can be areas of overlap, the three do not always operate in tandem.
- 5.2 The Review concluded that the existing holistic approach to Risk Management could be enhanced by establishing a distinct strategy for risk

management in recognition of the wide ranging and varying scope associated with the management of risk. In future this will lead to the establishment of distinct strategies for business continuity and emergency planning.

- 5.3 By establishing a distinct Risk Management Strategy and Framework it enables the Council to evidence the golden thread through the Council's risk appetite, strategy, risk management policy, roles and responsibilities and the procedural framework that supports it, all of which underpin the risk culture throughout the organisation. This approach is reflective of current industry standards and best practice, ensuring that any revisions are reflected through the strategic and procedural elements of the Framework.
- 5.4 The Review identified an opportunity to improve the accessibility of the Risk Management documentation by consolidating the current documentation into one overarching set of guidance within a distinct Risk Management Strategy and Framework.
- 5.5 The Council's Project Risk Management Guidance document is a strong reference document for Project Managers, which could be further enhanced by refreshing the Project Risk Register and Issue Log templates.
- 5.6 The Risk Register process could be enhanced by refreshing the Risk Register templates, as over time these have been adapted to reflect service requirements, resulting in a less consistent approach. The associated procedural guidance could be enhanced to improve the audit trail in respect of changes to the Registers.
- 5.7 The Risk Register process would benefit from a mechanism by which risks can be escalated or de-escalated across the registers. The Risk Registers should be reviewed more frequently by services with support and professional guidance from the Risk and Resilience Team.
- 5.8 The Review found that the current risk matrix, which is used to define the level of risk by considering the likelihood of the risk happening against the impact of the risk occurring, is based on a four-by-fours scale. Industry best practice suggests that a four-by-five matrix is beneficial in local government, where there are multiple environments with risks of different velocity, which need assessment.
- 5.9 There is currently one risk management training program on ALDO, the Council's training platform. The Review found that the risk management culture of the organisation would benefit from the development of a more comprehensive training program for staff.
- 5.10 Industry best practice recommends that organisations adopt an Assurance Framework based on a "Three Line of Defence Model". This would formalise the existing roles and responsibilities for risk management within the organisation and enable the governance arrangements to be refreshed.

<b>Line 1</b>	<b>The Doers</b>	Those with responsibility for the operational delivery of services would also be responsible for the risk management and internal controls associated with the services for which they are responsible.
<b>Line 2</b>	<b>The Advisers</b>	The Risk and Resilience Team would provide advice and guidance to the “Doers”.
<b>Line 3</b>	<b>Scrutiny</b>	Strategic Leadership Team, Policy Committees, Internal and External Audit

5.11 The report found that the current arrangement whereby Risk and Resilience Reports are submitted on a quarterly basis to the Corporate Risk Management Steering Group, Strategic Leadership Team and Audit Committee provides a robust scrutiny process.

## 6 Council Priorities, Implications and Risk

6.1 This report helps deliver the Strategic Priority “Resilient Communities” within the Pillar “Our Environment”, by considering the key principles of human rights and public protection, having the right people, in the right place, at the right time and climate and sustainability.

6.2 This report helps deliver against Aberdeenshire Business Services Plan Priority – Business Services are effective and efficient (Right people, right places, right time & Responsible finances)

6.3

Subject	Yes	No	N/A
Financial		X	
Staffing		X	
Equalities		X	
Fairer Scotland Duty		X	
Town Centre First		X	
Sustainability		X	
Children and Young People’s Rights and Wellbeing		X	

6.4 An equality impact assessment is not required because this report is principally designed to update members on risk management review and does not have a differential impact on any of the protected characteristics.

6.5 The following Risks have been identified as relevant to this matter on a Corporate Level ([Corporate Risk Register](#)):

- **ACORP007** Social risk (e.g. population changes, poverty & social inequality, demographic changes, crime, antisocial behavior);
- **ACORP009** Operational Risk Management (including health & safety); and

- **ACORP010** Environmental challenges e.g. extreme weather events, climate change. (This includes localised risks around flooding and air pollution and the need for communities to display resilience)

## **7 Scheme of Governance**

- 7.1 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporated within the report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.
- 7.2 The Committee is able to discuss this item in terms of Sections G.1.2.d and G.1.4 of the List of Committee Powers in Part 2A of the Scheme of Governance as the Committee has the remit to review the adequacy of risk management and risk assessment arrangements and procedures.

**Ritchie Johnson**  
**Director of Business Services**

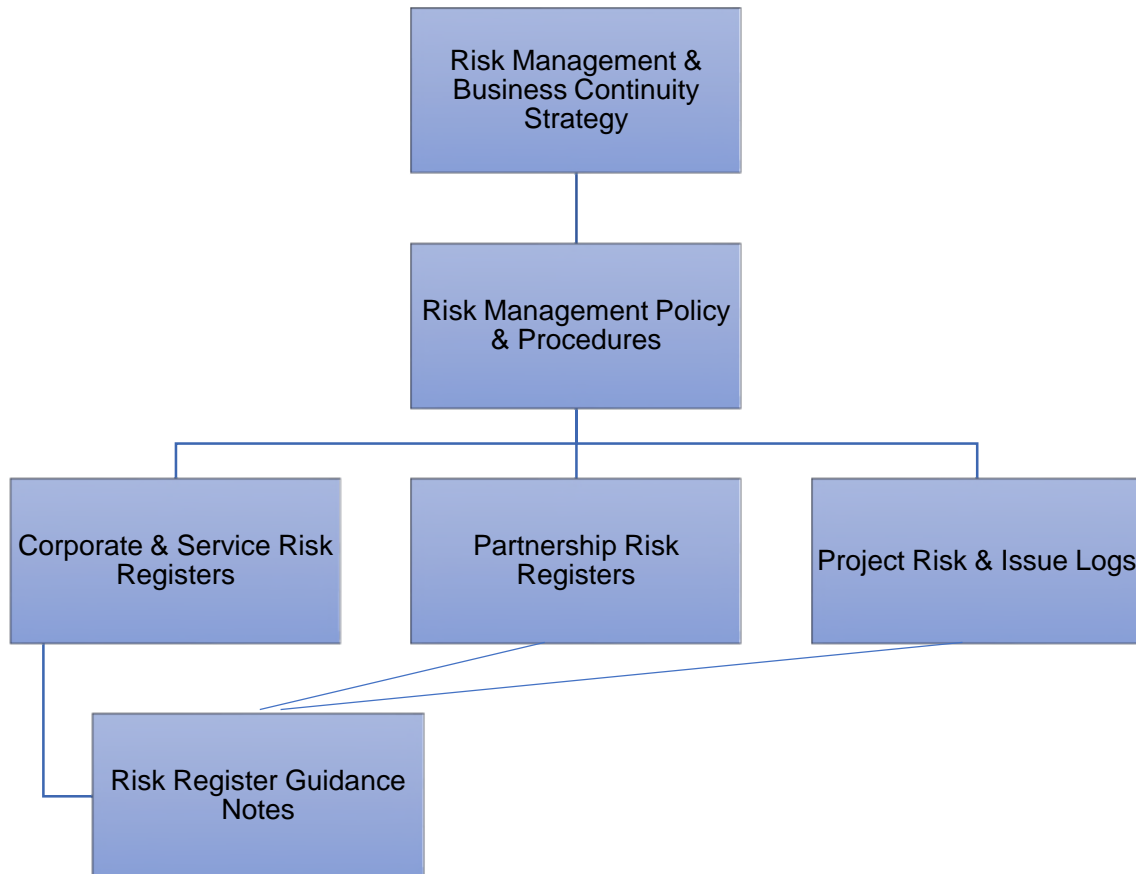
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Date: 4 June 2021

### **Appendices**

- Appendix 1 Current Risk Management Arrangements  
Appendix 2 Proposed Risk Management Framework  
Appendix 3 Proposals based on the findings of the Risk Management Review

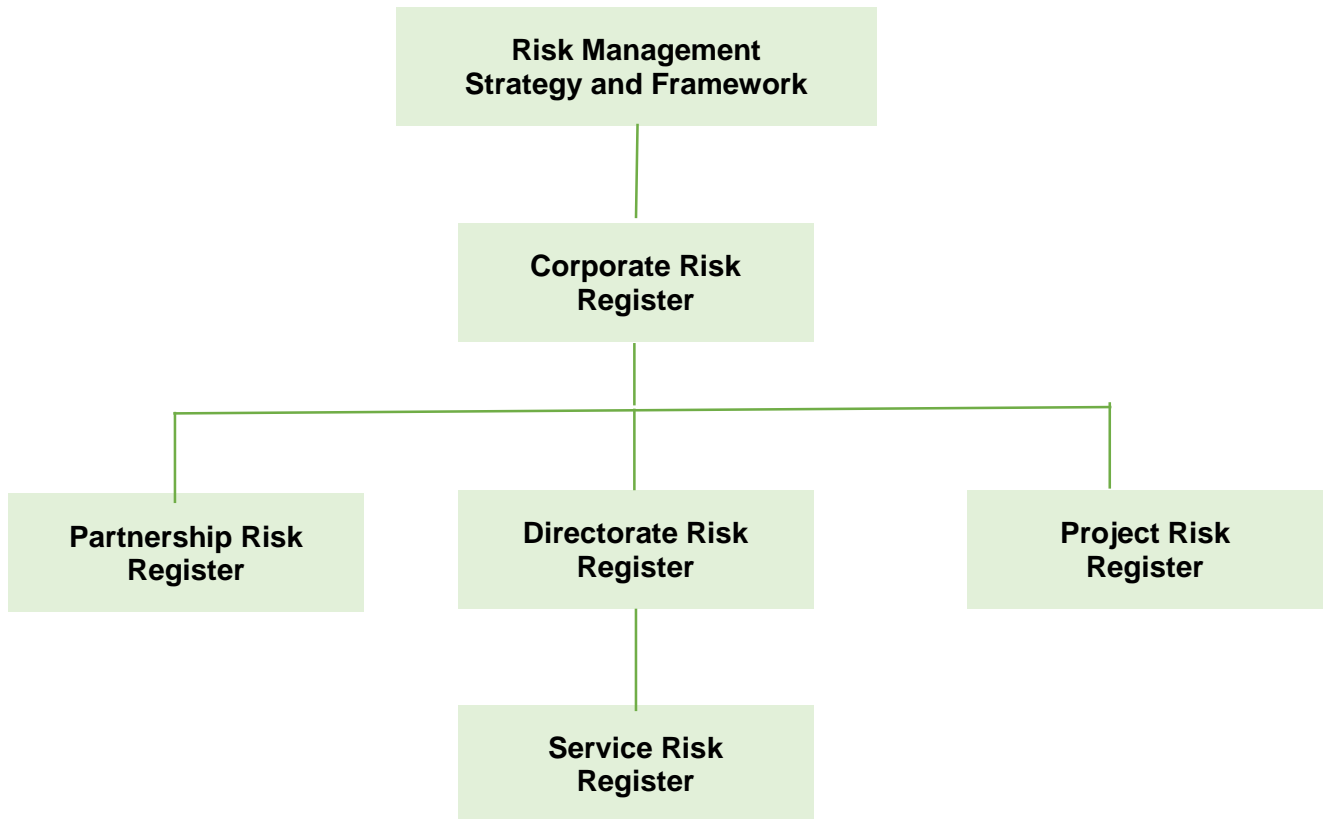
## APPENDIX 1

### Current Risk Management Framework



APPENDIX 2

Proposed Risk Management Framework



## **APPENDIX 3**

### **Proposals based the findings of the Risk Management Review**

1. Enhance the holistic approach to Risk Management by establishing a distinct Risk Management Strategy and Framework, incorporating a risk appetite statement, risk management strategy, policy, and assurance framework.
2. Consolidate the current Risk Management documentation into one overarching Procedural Guidance Section within the Risk Management Strategy and Framework.
3. Update and digitise the Aberdeenshire Risk Management Process in line with best practice guidance and include in the Risk Management Strategy and Framework.
4. Update the Risk Management process and Guidance and templates in line with best practice guidance and include in the Risk Management Strategy and Framework, ensuring that learning can be shared across projects.
5. Establish a mechanism by which risks can be escalated or de-escalated across the registers and consider the optimum frequency for reviewing the Risk Registers.
6. Adopt industry best practice in the form of a four-by-five risk matrix.
7. Develop a comprehensive Risk Management Training Program for staff.