

REPORT TO AUDIT COMMITTEE – 16 SEPTEMBER 2021

CONSULTATION ON THE DRAFT RISK MANAGEMENT POLICY

1 Reason for Report/Summary

- 1.1 This report provides Audit Committee with the draft Risk Management Policy following consultation with Strategic Leadership Team (SLT).

2 Recommendations

- 2.1 **Consider, discuss and comment on the draft Risk Management Policy set out in the Appendix to this Report; and**
- 2.2 **Agree to accept an update report on 4 November 2021 on the outcome of the consultation with the Policy and Area Committees.**

3 Background

- 3.1 In 2019 Internal Audit carried out an audit of the Council's Risk Management Process, which made the following recommendations

Code	Recommendation	Due Date
1928 2.1.4	The Service should review the Council's risk appetite and set this out in a policy for Council approval	31-Dec-21
1928 2.2.1a	Services should be asked to nominate a "risk champion" to help with maintenance of the risk registers, promoting risk management at a service operational level and maintaining copies of risk registers from Projects and Significant Partnerships for their Service.	31-Dec-21
1928 2.2.1b	Risk registers and actions should be shared within services	31-Dec-21
1928 2.2.2	The Service should standardise formatting of risk registers to ensure consistency of content.	31-Dec-21

- 3.2 In response to the Internal Audit Report, the Best Value Audit and concerns expressed by Senior Councillors in respect of the Annual Governance Statement prior to 2020/21, the Risk and Resilience Team carried out a Risk Management Review, which aimed 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 were shared and discussed with Directorate Management Teams, and the Corporate Risk

Management Steering Group whose comments and feedback have informed the draft Risk Management Policy set out in the **Appendix** to this report.

- 3.4 A report was submitted to [Audit Committee on 1 July 2021](#) setting out the Risk Management Review Findings and Committee agreed “*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*”.

4 Discussion

- 4.1 The Draft Risk Management Policy is set out in the **Appendix** to this Report. It is intended to be the keystone of an integrated approach to Risk Management and the development of all the associated guidance and templates that will underpin it.
- 4.2 The Draft Risk Management Policy will be underpinned by a **Risk Appetite Statement**, comprehensive **Risk Management Guidance** for use in an operational setting and **Risk Register Templates** encompassing the Corporate Risk Register, Directorate Risk Registers and Service Risk Registers.
- 4.3 It is proposed to develop the Risk Appetite Statement in consultation with Corporate Leadership Group (CLG) and elected members.
- 4.4 The Risk Management Guidance document is operational and is currently 80% complete and will be subject to consultation with the Directorate Management Teams before being finalised.
- 4.5 The Risk Register templates are still very much a work in progress, but the latest versions will be subject to consultation with the Direct Management Teams. It is proposed that the Risk Register templates are approved by Strategic Leadership Team prior to implementation.

5 Council Priorities, Implications and Risk

- 5.1 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.
- 5.2 This report helps deliver against Aberdeenshire Business Services Plan Priority – Business Services are effective and efficient (Right people, right places, right time and Responsible finances).

5.3 The Table below shows whether risks and implications apply if the recommendation(s) is (are) agreed.

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	

5.4 An integrated impact assessment (IIA) is not required seeks the acceptance of a proposal which does not have a differential impact on any of the protected characteristics.

5.5 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 and social inequality, demographic changes, crime, antisocial behaviour).
- **ACORP009** Operational Risk management (including health and safety).
- **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).

6 Scheme of Governance

6.1 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 reports and are satisfied that the report complies with the [Scheme of Governance](#) and relevant legislation.

6.2 The Committee is able to discuss this item in terms of Section 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 Johnstone
Director of Business Services

Report prepared by: Mhairi McCowan, Risk and Resilience Manager and Susan Donald, Corporate Services Manager

Appendix: Draft Risk Management Policy



From mountain to sea



Risk Management Policy

DRAFT



Document Control

Policy Status	Draft
Approval Date	11 th November 2021
Implementation Date	11 th November 2021
Policy Author and Owner	Mhairi McCowan, Risk and Resilience Manager
Policy Sponsor	Ritchie Johnson, Director of Business Services
Approval Authority	Business Services Committee
Scheduled Review	November 2022
Amendments	

DRAFT



Table of Contents

1. PURPOSE 4

2. SCOPE 4

3. OBJECTIVES 5

4. ROLES AND RESPONSIBILITIES 6

5. GOVERNANCE 7

6. SUPPORTING DOCUMENTS 7

7. POLICY STATEMENT 8

8. RISK MANAGEMENT APPROACH 8

9. POLICY PERFORMANCE 9

10. ASSOCIATED STANDARDS 9

11. MAINTENANCE 10

12. COMMUNICATION AND DISTRIBUTION 10

13. INFORMATION MANAGEMENT 10

DRAFT

1. Purpose

1.1 The Risk Management Policy (the “Policy”) sets out Aberdeenshire Council’s (the “Council”) approach to risk management. The Policy, and the supporting documentation is in place to support the Strategic vision of the Council and to facilitate the protection of the Council’s people, reputation, finances, data and information, assets, and compliance with law against compromise of the core risk management principles:

- Governance and Leadership
- Integration
- Collaboration and Best Information
- Structured Risk Management Processes
- Continual Improvement

1.1. Aberdeenshire Council delivers a wide range of services to the residents of Aberdeenshire, both in order to discharge the Council’s statutory obligations and to deliver on the outcomes set out within the Aberdeenshire Council Plan, Strategic Priorities, Aberdeenshire Local Outcome Improvement Plan and associated strategies.

1.2. Effective delivery of these services relies on a clear, robust and embedded system of risk management. This policy and its supporting documents set out to achieve that purpose by:

- Providing practical guidance on the approach required to effectively manage risk.
- Setting out the Council’s Corporate approach to managing threats and opportunities annually through a risk appetite statement published on the Council’s website and promoted throughout the organisation.
- Promoting a culture of risk awareness through training to develop informed and proactive risk owners and mitigations owners; and
- Providing practical tools to manage risk in a way which supports the Council in successfully achieving its Strategic Priorities and outcomes set out in the Council Plan and Local Outcome Improvement Plan. These tools, wherever possible, will be digitally enabling.

2. Scope

2.1 The requirements in this policy and supporting documentation apply to all permanent, temporary and contract workers employed or engaged by Aberdeenshire Council or any 3rd party organisation whilst at work or engaged in Aberdeenshire Council business.



From mountain to sea

- 2.1. It is recognised that risk management is performed in all roles, at all levels, and across all Services. The Risk Management Guidance document sets out the interaction which staff will have with risk and defines the roles and responsibilities of employees to support successful risk management.
- 2.2. This policy does not replace any statutory risk assessment or risk management reporting requirements, which is embedded within the Risk Management Guidance document.
- 2.3. Risk management is a key component of strong governance arrangements and as such the Council's Scheme of Governance recognises this policy and its supporting documentation.
- 2.4. The Annual Governance Statement reports publicly on the extent to which the Council complies with the Local Code of Corporate Governance and provides assurance on the effectiveness of the Council's internal controls. This includes our system of risk management as set out in this policy and its supporting documents.

3. Objectives

- 3.1 This policy and its supporting documentation are designed to:
 - Promote a holistic approach to risk management.
 - Protect the Council's people, assets, finances, and reputation against compromise of the principles of risk management.
 - Embed a strategic approach to risk management to support informed decision-making.
 - Detail the level of risk the Council are prepared to accept on different service delivery activities and priorities.
 - Facilitate a 'risk aware' culture by fostering a common risk language, training and education and promoting that risk management is everyone's responsibility.
 - Define risk management controls that are effective, sustainable, and measurable.
 - Assist in the compliance of contractual, legal or regulatory obligations.
 - Develop an informed approach, regarding risk management, in all employees' daily activities across all areas of the Council.
 - Provide assurance to other parties, partners and the public that the Council has a robust control environment in place to facilitate the protection of the Council's people, reputation, finances, data and information, assets, and compliance with law through an effective information risk management system.
 - Develop leadership capacity and skills in having a clear understanding of the risks facing the Council and how we manage them.



- Foresee and respond to changing social, environmental, and legislative conditions.
- Reduce the risk of injury, damage, loss and reduce the cost of risk, while minimising the cost of adverse risk.
- Ensure that the Council continues to meet all statutory and best practice requirements in relation to risk management and continues to be a key and effective contributor to Corporate Governance and a satisfactory Annual Governance Statement.
- Maximise the rewards that can be gained through risk management.
- Maintain a robust risk management process for identification, analysis, control and management of risk, and the reporting and recording of events, based on best practice.
- Even with good risk management and best endeavours, things can go wrong. Where this happens, the Council will identify lessons learned to continually improve and ensure appropriate mitigation measures are implemented.

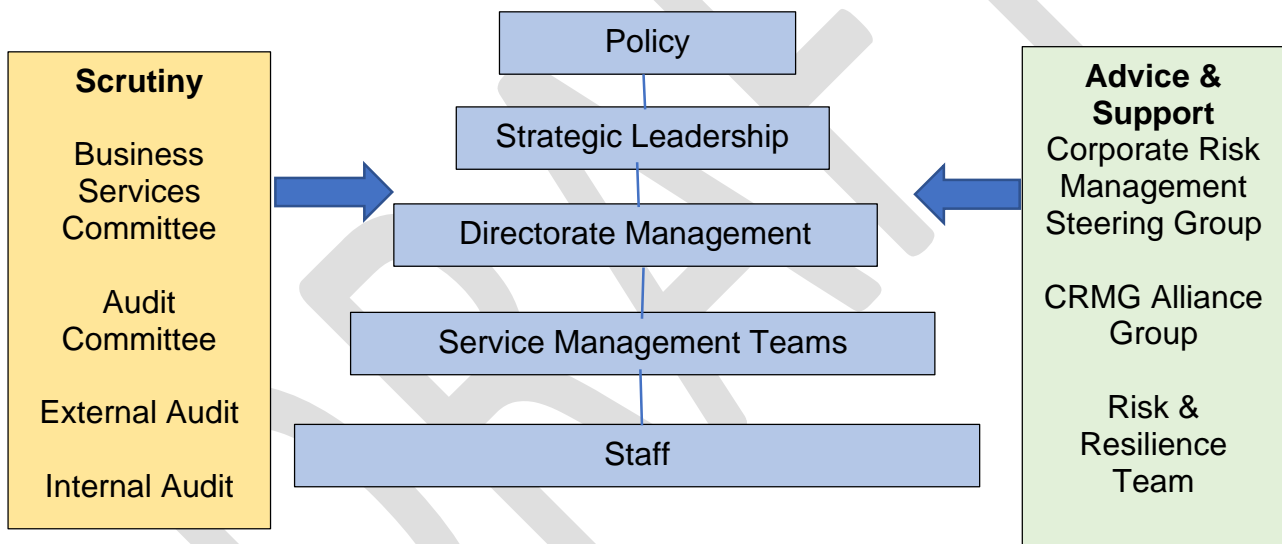
4 Roles & Responsibilities

- 4.1 Business Services Committee is the approval authority for the Risk Management policy. Audit Committee are responsible for reviewing the adequacy of risk management and risk assessment procedures, and as such, are consulted on all aspects of Risk Management within the Council.
- 4.2 All Directors, Heads of Service and Area Managers are responsible for the implementation of the policy. These Officers are responsible for ensuring that appropriate and sufficient resource is available within their service areas to deliver on the requirements of the Risk Management Policy.
- 4.3 The Strategic Leadership Team is responsible for monitoring Strategic risks and ensuring there are suitable mitigations in place to manage risks or to address gaps in controls that could impact on the successful delivery of the Council Plan, Strategic Priorities and outcomes of the Aberdeenshire Local Outcome Improvement Plan.
- 4.4 Heads of Service and Service Managers across the Council have responsibility for the effective management of risk within their area of responsibility, including ensuring that appropriate controls are in place and are being monitored.
- 4.5 The Director of Business Services is the Strategic Leadership Team member responsible for the development, management and maintenance of this policy as Risk and Resilience sit within the Finance Team in Business Services.
- 4.6 The Risk and Resilience Manager and members of the Risk and Resilience Team will be responsible for providing advice and guidance on applying the Risk Management Policy.

- 4.7 The Director of Business Services is the Council's Senior Information Risk Owner (SIRO) is responsible for monitoring the Council's information risks.
- 4.8 All members of staff across the Council are expected to assist with risk management including the identification, assessment, review and mitigation of risks that could impact on the delivery of the Council's outcomes.
- 4.9 A comprehensive list of Risk Management Roles and Responsibilities is detailed within the Risk Management guidance document.

5. Governance

- 5.1 There is a clear governance structure underpinning the Risk Management Policy, which links to the Assurance Framework which incorporates a "Three Line of Defence Model".



6. Supporting Documentation

- 6.1 This policy is supported by the following documents:

- **Risk Management Guidance** – a guidance document describing the processes to be followed in effectively managing risk.
- **Risk Register Templates** – the organisational template used to record and maintain risk scores, owners, mitigations, gaps controls, escalations and updates.
- **Risk Appetite Statement** – A description of the types and levels of risk the Council is willing to accept in the pursuit of its strategic outcomes. This recognises both threats and opportunities.

7. Policy Statement

- 7.1 The Council recognises that risk is unavoidable and understands that there will be inherent risk in all areas of the Councils operation and service delivery that may have a negative impact on people, finance, assets, data and information and compliance with the law within Aberdeenshire.
- 7.2 This policy and supporting documentation will embed risk management in the Council to enable a culture where risk is understood and effectively managed.
- 7.3 Aberdeenshire Council recognises that Risk Management is one of the key principles of effective Corporate Governance. It is also a key contributor to a sound internal control environment and the Councils Annual Governance Statement. It is the Council's policy to be risk aware and as such the Council will identify potential opportunities arising from the evaluation of risk in the delivery of services.
- 7.4 The Council aims to deliver a robust, fully integrated risk management system

8. Risk Management Approach

- 8.1 The Council's approach to risk management is set out within the Risk Management Guidance document and will:
- Enable all employees to identify and manage risks at all levels by sharing the tools and training required.
 - Assign risk ownership and mitigations ownership to the relevant Officers to ensure that the most effective risk management techniques are utilised including.
 - Incorporate the risk assessment and scoring for current and residual risks.
 - Identification and status of risk controls, and identification of any gaps in controls.
 - Creation of actions and activities required to mitigate the risk or address any gaps in controls; and
 - Successful application of the Councils Assurance Framework "Three Lines of Defence" model.
 - Create risk registers that reflect emerging risks, operational requirements and business objectives across the organisation and allows for the escalation and de-escalation of risks between Service, Directorate and Corporate risk registers.
 - Ensure that all risk registers are regularly reviewed by risk owners and managers and are available for review by the public, Council's Committees, Internal and External Auditors.
 - Establish risk management linkages to the following:
 - Health and Safety
 - Business Continuity
 - Emergency Planning



- CONTEST Framework
- Corporate Integrity
- Budget Planning
- Strategy Framework
- Policy Framework
- Scheme of Governance
- Annual Governance Statement
- Information Management
- Delivery of Council, Directorate, Service and Area Plans
- Performance Management Framework
- Portfolio and Project Management

9. Policy Performance

- 9.1 The effectiveness of the policy and its associated processes will be measured by the reduction or elimination of negative impacts occurring during/following periods of disruption which could have a detrimental effect on the residents, workforce, finances, reputation, assets or service delivery of Aberdeenshire Council.
- 9.2 The Council will monitor the organisations compliance and performance against this policy and supporting documentation by conducting -
- Quarterly reporting of the Corporate Risk Register to Business Services Committee and an annual report to Audit Committee.
 - Annual reporting of compliance with the Risk Management policy to Business Services and Audit Committees.
 - Quarterly reporting of the Corporate Risk Register to the Strategic Leadership Team.
 - Quarterly review of Directorate Risk Registers at Directorate Management Team meetings.
 - Regular review of Service Risk Registers by Service Management Teams.
 - Deep dive reviews into risks which are resistant to mitigations and which pose significant negative consequences for the Council.

10. Associated Standards

- 10.1 As Risk Management is not underpinned by legislation, this policy is aligned to best practice principles from ISO31000 and HM Government Orange Book: Risk Management Principles and Concepts. Consideration has also been given of the Institute of Risk Management and other Local Authority risk policies in the development of this policy.



11. Maintenance

- 11.1 The supporting Risk Management documentation associated this policy will be reviewed and updated as and when required to ensure the guidance remains relevant, accurate and in line with industry standard and best practice guidance.
- 11.2 In order to ensure its statement remains relevant, accurate and in line with the Councils Strategic Priorities, Council Plan and Local Outcome Improvement Plan, the Risk Appetite statement will be reviewed annually.
- 11.3 Changes and revisions to this Policy that are required to ensure it remains accurate, relevant and fit for purpose may be made by the Risk and Resilience Manager with approval from the Head of Finance and without further Committee approval for as long as such changes and revisions do not significantly alter the meaning or essence of this Policy.
- 11.4 Unless required, the Risk Management policy will be subject to a planned annual review.
- 11.5 This policy and its supporting documentation replaces the Council's Risk Management and Business Continuity Strategy document.

12. Communication and Distribution

- 12.1 This policy and supporting documentation will be shared directly with Corporate Leadership Team to enable communication and distribution across services in accordance with the responsibilities set out in Section (3) and within the Risk Management guidance document.
- 12.2 The Risk Management policy and supporting documentation will be available for review on the Aberdeenshire Council Arcadia network.

13. Information Management

- 13.1 Data relating to Risk Management will be stored and managed in line with the Council's Information Security Policy.