

**STRATEGIC RISK ASSURANCE MAPPING**

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**1. SUMMARY**

- 1.1 This report sets out Internal Audit's assessment of the sources of assurance for the Audit Committee on the management of the Council's strategic risks.

The report describes the approach to the work and the outcomes, including recommendations for improvement.

Appendix 1 highlights the overall assessment against each of the strategic risks. It should be noted that the assessment is based on the level of assurance that the Committee can rely on at each level. A 'low/red' level therefore highlights where there are gaps in evidence of active /targeted actions /activity rather than an assessment on the management of that risk.

**2. RECOMMENDATIONS**

- 2.1 The Audit Committee notes the Risk Assurance Map at Appendix 1.
- 2.2 The Audit Committee considers implications for the Internal Audit annual plans in 2017-18 and 2018-19.

**3. BACKGROUND**

- 3.1 It was agreed that Internal Audit would prepare and update an assurance mapping exercise on an annual basis to:
- give senior management and elected/committee members comfort that there is a comprehensive risk and assurance framework with no duplicated effort or potential gaps;
  - ensure that Internal Audit plans are targeted to address the key risks facing the Council and where assurance gaps remain;
  - identify any potential areas of overlap or duplication of assurance.
- 3.2 Appendix 1 provides a summary of the Council's strategic assurance map, which follows the three lines of defence model.
- 3.3 The assurance map details where the Audit Committee can gain assurance against the monitoring and management of strategic risks.

The assurance map is based on the following three lines of defence model:

First Line	Second Line	Third Line
The first level of the defence is the control environment - the business operations that perform day to day risk management activity	Oversight functions such as the SMT and individual committees set directions, define policy and provide assurance	Internal and external audit, and any other scrutiny or regulatory body, offer independent challenge to the levels of assurance provided by business operations and oversight functions

#### 4. FINDINGS

4.1 The table below summarises the assessment against each Strategic Risk.

Strategic Risk	Residual Risk at Dec 2016	Assurance assessment
1. Population and economic decline	<b>Red 16</b>	Green
2. Condition and suitability of overall Council infrastructure and asset base	<b>Amber 12</b>	Green
3. External – built environment	<b>Amber 12</b>	Green
4. Welfare Reform	<b>Amber 12</b>	Green
5. Political Leadership	<b>Amber 12</b>	Amber
6. Finance – Income & Funding	<b>Amber 12</b>	Green
7. Health & social care integration	<b>Red 15</b>	Red
8. Reputation	<b>Amber 12</b>	Green
9. Demographic change	<b>Amber 12</b>	Green
10. Finance - expenditure	<b>Amber 12</b>	Amber
11. Partnership governance	<b>Amber 9</b>	Green
12. Engagement and alignment of service delivery	<b>Amber 8</b>	Green
13. Leadership and management	<b>Amber 8</b>	Green
14. Civil contingency and business continuity	<b>Amber 6</b>	Green
15. Management of services and resources	<b>Amber 6</b>	Green

4.2 The Assurance Map has identified Health and Social Care Integration as an area where there may be a mismatch between the level of risk identified, and the assurance provided to Committee.

- 4.3 The Performance Review and Scrutiny Committee (PRS) asked for a report to clarify its role in relation to scrutinising the performance of the Integrated Joint Board. The Council and PRS do not have a call in or direct scrutiny function, but it was noted that the current style of exception reports may not provide the assurance necessary on all of the Council's responsibilities in relation to social care.
- 4.4 The remaining areas where assurance has been assessed as "amber" will be taken into account in developing Internal Audit plans for 2017-18 and 2018-19.

## **5. CONCLUSION**

- 5.1 Overall, Appendix 1 highlights that a strong performance management framework is in place across the Council.

This exercise has been used to highlight areas for improvements to the assurance framework, to ensure that the Audit Committee and Performance Review and Scrutiny Committee understand how risks are managed and mitigated.

The map highlights that further clarity is required on monitoring the performance of social care responsibilities that remain with the Council.

## **6. IMPLICATIONS**

- 6.1 Legal – None.  
6.2 Finance – None.  
6.3 HR – None.  
6.4 Policy – None.  
6.5 Risk – None.  
6.6 Equalities – None.  
6.7 Customer Services – None.

**For further information please contact**

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## **APPENDICES**

Appendix 1 – Strategic Risk Assurance Map

**APPENDIX 1: Strategic Risk Assurance Map**

Risk	Risk Title and Description	Risk Score December 2016	Risk Score December 2015	First Line of defence	Second Line of Defence	Third Line of Defence	Assessment
1	Population and Economic Decline	Red 16	Red 20	<ul style="list-style-type: none"> <li>• Service Planning linked to SOA/Corporate Outcomes</li> <li>• Economic Development and Strategic Transportation Update and Strategic Priorities</li> <li>• Key actions within Business Outcomes 15, 23, 26 in revised PPMF</li> <li>• Exception reporting within Team Quarterly Performance Report</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly performance reports considered by Performance Review and Scrutiny Committee - Corporate Outcomes 5 and 6</li> <li>• EDAP monitored by Environment, D &amp; I Committee</li> <li>• SOA LOIP Delivery Plan reported to Council</li> </ul>	<p>Internal audit coverage:</p> <ul style="list-style-type: none"> <li>• CHORD (Limited Assurance)</li> <li>• Employability (Substantial Assurance)</li> <li>• Business Support (Substantial Assurance)</li> <li>• Single Outcome Agreement (Substantial Assurance)</li> <li>• EDAPs (Substantial Assurance)</li> <li>• TIF (Substantial Assurance)</li> </ul> <p>External audit coverage:</p> <ul style="list-style-type: none"> <li>• CHORD Project – focussed follow up work on the Oban Bay/Harbour project 2015-16</li> </ul> <p><b>Future:</b> Rural Resettlement Fund</p>	There is a range of assurance sources across the three lines of defence.
2	Condition and suitability of overall Council Infrastructure and asset base	Amber 12	Red 16	<ul style="list-style-type: none"> <li>• Corporate Asset Management Strategy</li> <li>• Service Asset Management Plans</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly performance reports considered by Performance Review and</li> </ul>	<p>Internal audit coverage:</p> <ul style="list-style-type: none"> <li>• Property Maintenance (Reasonable assurance)</li> </ul> <p>External audit coverage:</p>	Good level of assurance from management reporting. Independent reviews of asset

Risk	Risk Title and Description	Risk Score December 2016	Risk Score December 2015	First Line of defence	Second Line of Defence	Third Line of Defence	Assessment
				<ul style="list-style-type: none"> <li>• Strategic Infrastructure Plan</li> <li>• Direct link to Corporate Objectives within the Corporate Plan</li> <li>• Service Planning linked to SOA/Corporate Outcomes</li> <li>• PPMF/quarterly scorecards</li> <li>• Exception reporting to DMT</li> </ul>	<ul style="list-style-type: none"> <li>• Scrutiny Committee – Corporate Objectives 3 &amp; 4</li> <li>• Quarterly Department Updates challenged by SMT</li> <li>• D &amp; I quarterly performance reporting to Environment, D &amp; I Committee</li> <li>• Corporate Asset Management Strategy reported to Policy &amp; Resources Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Audit Scotland review of Asset Management Arrangements</li> </ul> <p>CIPFA</p> <ul style="list-style-type: none"> <li>• Independent Review of Estates Services</li> </ul> <p>Local Government Benchmarking Framework:</p> <ul style="list-style-type: none"> <li>• Corporate Services: Asset Management Suitability</li> <li>• Corporate Services: Asset Management Suitability</li> </ul> <p><b>Future:</b></p> <p>Internal Audit:</p> <ul style="list-style-type: none"> <li>• ICT SLAs</li> <li>• ICT Systems Development</li> </ul>	management monitored and supported by benchmarking across other Councils.
3	External – built environment is not maintained to an adequate standard.	Amber 12	Red 16	<ul style="list-style-type: none"> <li>• Local Development Plan</li> <li>• Planning and Regulatory Services Service Plan and quarterly monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Reports on Conservation Area Regeneration Scheme (CARS) funding for Dunoon and Rothesay</li> <li>• CHORD progress</li> </ul>	<p>Internal audit coverage:</p> <ul style="list-style-type: none"> <li>• THI and CARS monitoring of outcomes (Substantial assurance)</li> </ul>	This risk relates to non-Council assets. However, the THI and CARS projects are subject to external funding and therefore monitoring of progress. Third line of defence coverage relating to

Risk	Risk Title and Description	Risk Score December 2016	Risk Score December 2015	First Line of defence	Second Line of Defence	Third Line of Defence	Assessment
					updates on Townscape Heritage Initiative (THI) <ul style="list-style-type: none"> <li>Digital Infrastructure progress reports to Council</li> </ul>		Council enforcement actions and monitoring of outcomes.
4	Welfare Reform – implementation is not managed well resulting in increased poverty and deprivation or short term crisis.	Amber 12	Amber 12	<ul style="list-style-type: none"> <li>Community and Social Services Service Plan Linked to Outcome 5</li> <li>Project Board in place with partners - and monitoring of associated action plan</li> </ul>	<ul style="list-style-type: none"> <li>Welfare Reform Working Group (WRWG) report to SMT</li> <li>SMT ongoing monitoring of risk Consideration or high and medium hardship cases</li> <li>Universal Support Delivered Locally project completed and developments considered by</li> </ul>	Internal audit coverage: <ul style="list-style-type: none"> <li>Welfare reform 2015-16 (High assurance)</li> </ul> External audit high level review of Welfare Reform arrangements - no recommendations arising	There is a range of assurance sources across the three lines of defence.
5	Political Leadership – political instability means there is a lack of collective strategic leadership by councillors	Amber 12	Amber 12	<ul style="list-style-type: none"> <li>Corporate Governance Improvement Plan</li> <li>Audit Scotland Action Plan and monitoring</li> <li>Customer Services Service</li> </ul>	<ul style="list-style-type: none"> <li>Short Life Working Group on Political Management Arrangements regularly reports to Council</li> <li>Quarterly Performance</li> </ul>	Audit Scotland Best Value Follow Up - December 2015	Action plans in place to progress improvement.

Risk	Risk Title and Description	Risk Score December 2016	Risk Score December 2015	First Line of defence	Second Line of Defence	Third Line of Defence	Assessment
				Plan and associated outcomes/monitoring	Reporting to Performance Review and Scrutiny Committee		
6	Finance – income and funding	Amber 12	Amber 12	<ul style="list-style-type: none"> <li>• Strategic Finance Service Plan</li> <li>• Medium Term Financial Strategy</li> <li>• Finance Outcome measures within Scorecards</li> </ul>	<ul style="list-style-type: none"> <li>• Policy &amp; Resources Committee consider Financial Monitoring reports, including monitoring of financial risks</li> <li>• Service Choices – Investing for Income</li> <li>• Budget and budget working papers considered by full Council</li> </ul>	External audit: <ul style="list-style-type: none"> <li>• Report on Financial Management and Sustainability</li> </ul>	There is a range of assurance sources across the three lines of defence.

Risk	Risk Title and Description	Risk Score December 2016	Risk Score December 2015	First Line of defence	Second Line of Defence	Third Line of Defence	Assessment
7	Health and Social Care Integration	Red 15	Amber 12	<ul style="list-style-type: none"> <li>Strategic Plan in place</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly exception reports submitted to the Performance &amp; Scrutiny Committee</li> </ul>	<p>Internal audit:</p> <ul style="list-style-type: none"> <li>Health and Social Care Governance Arrangements (substantial assurance)</li> </ul> <p>External audit overview of arrangements</p> <p>IJB separate internal audit function.</p>	Lack of clarity about scrutiny function or role of elected members. Performance reporting does not fully address LG requirements. IJB Internal audit reporting mechanism to be clarified
8	Reputation – the Council fails to maximise its profile at national level. Trust and integrity of the Council is undermined.	Amber 12	Amber 12	<ul style="list-style-type: none"> <li>Performance and Community Engagement reflected within Service Plans</li> <li>PPMF in place</li> </ul>	<ul style="list-style-type: none"> <li>Local Government Benchmarking Framework and annual reporting mechanisms</li> <li>Customer satisfaction ratings</li> </ul>	<p>External audit:</p> <ul style="list-style-type: none"> <li>Audit Scotland's assessment of Public Performance reporting</li> </ul>	Lack of specific assurance on reputation but customer satisfaction and service planning processes are incorporated within the Council's PPMF.
9	Demographic change	Amber 12	Amber 12	<ul style="list-style-type: none"> <li>Population Summit</li> <li>SOA/LOIP annual profile update and planning processes</li> <li>Service Planning arrangements – guidance and approach</li> </ul>	<ul style="list-style-type: none"> <li>SMT receive reports on population change</li> <li>PRS Committee receive reports on population change</li> </ul>	<p>Internal audit:</p> <p>Single Outcome Agreement Delivery Plan monitoring</p>	No third line coverage providing assurance that planning is effective.



Risk	Risk Title and Description	Risk Score December 2016	Risk Score December 2015	First Line of defence	Second Line of Defence	Third Line of Defence	Assessment
10	Finance - expenditure	Amber 12	Amber 12	<ul style="list-style-type: none"> <li>• Service Choices framework</li> <li>• Strategic Finance Service Plan</li> <li>• Medium Term Financial Strategy</li> <li>• Finance Outcome measures within Scorecards</li> <li>• Financial Risks considered at Budget Working Group</li> </ul>	<ul style="list-style-type: none"> <li>• Policy &amp; Resources Committee consider Financial Monitoring reports, including monitoring of financial risks</li> <li>• Service Choices – community engagement and challenge process</li> <li>• Budget and budget working papers considered by full Council</li> </ul>	<p>Internal audit:</p> <ul style="list-style-type: none"> <li>• Continuous audit programme</li> </ul> <p>External audit:</p> <ul style="list-style-type: none"> <li>• Work on Financial Sustainability and follow up of recommendation</li> </ul> <p>Accounts Commission findings (Best Value follow up): “The Council’s current approach to the scale of the financial challenge is not sustainable”</p>	Coverage across all three lines of defence, but findings from the Accounts Commission require additional assurance on progress.
11	Partnership governance	Amber 9	Amber 9	<ul style="list-style-type: none"> <li>• SOA delivery plans which make clear links to individual partner contributions</li> <li>• DMT quarterly performance reporting</li> </ul>	<ul style="list-style-type: none"> <li>• SOA delivery plans monitored through quarterly reporting</li> <li>• Governance review of CPP presented to the Audit Committee</li> </ul>	Review of CPP Governance arrangements	Coverage across all three lines of defence.
12	Engagement and alignment of service delivery	Amber 8	Amber 8	<ul style="list-style-type: none"> <li>• SOA Delivery Plans/LOIP</li> <li>• Community Engagement Strategy</li> <li>• PPMF and quarterly</li> </ul>	<ul style="list-style-type: none"> <li>• Service Choices and Planning for Our Future community engagement overseen by the P&amp;R Committee</li> </ul>	<p>Internal audit:</p> <ul style="list-style-type: none"> <li>• Single Outcome Agreement Delivery Plan monitoring</li> </ul>	Coverage across all three lines of defence.

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				<ul style="list-style-type: none"> <li>monitoring</li> <li>Departmental scorecards include measures on customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>SOA Delivery Plan</li> </ul>		
13	Leadership and management - A lack of Strategic Leadership and Direction will have a negative impact on the ability of the Council to set out strategic objectives and then align service delivery and resources to ensure these objectives are achieved.	Amber 8	Amber 8	<ul style="list-style-type: none"> <li>Corporate Plan sets out overall Council objectives.</li> <li>Review of PPMF to refocus on council priorities and core outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>Review of Corporate and Business Objectives considered by Council</li> <li>Audit Scotland Improvement Plan and monitoring reports</li> </ul>	<p>Internal audit:</p> <ul style="list-style-type: none"> <li>Single Outcome Agreement Delivery Plan monitoring</li> </ul> <p>External audit:</p> <ul style="list-style-type: none"> <li>Audit Scotland Best Value follow up December 2015</li> </ul>	There is a range of assurance sources across the three lines of defence.
14	Civil contingency and business continuity	Amber 6	Amber 6	<ul style="list-style-type: none"> <li>Critical activities identified within review of business continuity arrangements</li> <li>West of Scotland local resilience partnership provides additional support</li> <li>Community resilience plans</li> </ul>	<ul style="list-style-type: none"> <li>Critical Activity Recovery Plan (CARP) updates to DMT/SMT.</li> </ul>	<p>Planning Group –debrief for emergency planning exercises.</p> <p>Partnership Overview</p>	Low level of 2 <sup>nd</sup> and 3 <sup>rd</sup> tier assurance.

Risk	Risk Title and Description	Risk Score December 2016	Risk Score December 2015	First Line of defence	Second Line of Defence	Third Line of Defence	Assessment
15	Management of Services - Services and resources are not effectively managed. Services fail to achieve agreed performance levels.	Amber 6	Amber 6	<ul style="list-style-type: none"> <li>• Service Planning process updated in line with review of PPMF</li> <li>• PPMF including quarterly reporting</li> <li>• DMT exception reporting/monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly performance reports to the PRS Committee.</li> </ul>	Internal audit: <ul style="list-style-type: none"> <li>• Performance Management review (Substantial Assurance)</li> </ul>	Coverage across all three lines of defence.