

**RISK MANAGEMENT OVERVIEW**

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**1.0 INTRODUCTION**

- 1.1 In October 2017 a new Chief Internal Auditor (CIA) was appointed and he expressed a preliminary concern that there may be inconsistencies in the risk management approach within the Council, in particular relating to the management of operational risk registers. This was discussed with the Council's Strategic Management Team (SMT) in November 2017 who agreed that the CIA would develop a recommended format for the Council's risk registers which would be applied consistently across the Council with consideration be given to how these are managed.
- 1.2 The CIA took a report to the SMT in January 2018 which highlighted:
- a proposed template risk register
  - a high level process to ensure risk management is considered at SMT, DMT and Head of Service level.
  - the CIA's intention to review risk management arrangements in 2018/19 to provide assurance that there is compliance with the agreed process
  - the CIA's intention to revise the Council's risk management manual to reflect agreed revisions and other appropriate amendments.
- 1.3 This report provides members with an update on the actions to further strengthen the Council's approach to risk management and confirms that a more detailed report will be brought to the Audit and Scrutiny Committee in 2018 to provide assurance over the management of risk across the Council.

**2.0 RECOMMENDATIONS**

- 2.1 Members are requested to endorse:
- the content of the report
  - the revisions being made to the risk management process
  - the intention of the CIA to review risk management arrangements as part of the 2018/19 audit plan
  - the intention of the CIA to revise the risk management manual to reflect agreed revisions and other appropriate amendments
  - that the Chief Executive will report to the Audit and Scrutiny Committee on the Council's Strategic Risks at the June committee.

**3.0 DETAIL**

- 3.1 The Council's strategic and operational risk registers are held in Pyramid with risks differentiated between 'supply' risks and 'demand' risks. As per the Council's risk management manual risks in Pyramid should be updated on an ongoing

basis with these updates feeding in to performance scorecards. An informal review of Pyramid has confirmed that, whilst there is evidence of periodic update of scores for some risks, some risks have no evidenced update for over one year. It is recognized that this does not necessarily mean the risks have not been reviewed, it could just mean that Pyramid has not been updated to reflect these reviews.

- 3.2 Informal discussions with officers has also provided some evidence of inconsistent practices in relation to how registers are reviewed and some confusion about roles and responsibilities for managing risks and updating Pyramid.
- 3.3 There is evidence, from previous audit reviews, that risk management, as a concept, is well embedded within the Council however the CIA has expressed concern that there may be an inconsistent approach to the management of risk registers, in particular operational risk registers, in terms of them being reviewed periodically and these reviews being evidenced.
- 3.4 The CIA was asked to propose a new draft template for risk registers (using Microsoft Excel) with it being noted that risks should be aligned to the service challenges identified in the 2018/19 service plans rather than aligned to business outcomes as they had previously been. This draft template is included in appendix 1 to this report. The template is based loosely on the strategic finance team's risks however note that it is provided as an example, it is not a current reflection of the Strategic Finance risk register. Some key issues to note on the suggested template are that:
  - risks are no longer categorised as 'supply' or 'demand'
  - the risks are aligned to the service plan challenges
  - key actions, with timescales, for risks to be 'treated' are documented
  - last reviewed date will provide an audit trail linked to minutes
  - additional tabs to the spreadsheet provide a framework within which to consider the scores for impact and likelihood.
- 3.5 It is recognised that there should be some flexibility in terms of the process to be followed at a DMT or HoS level to review and update the registers. For example Strategic Finance may wish to operate with a single operational risk register which is reviewed and updated at Strategic Finance Management meetings whereas Customer Services and D&I may wish to operate risk registers at HoS level which are then consolidated into a directorate level risk register.
- 3.6 There should be an overarching principle that the most current versions of operational risk registers should be approved on a quarterly basis at DMT and the strategic risk register should be approved biannually at SMT. The minutes of these meetings will evidence that the review has taken place and the approval of the risk register updates.
- 3.7 The adoption of changes to the risk management arrangements, in conjunction with the adoption of new 2018/19 service plans, means the Council's documented risk management manual no longer reflects current practice. It is the intention of the CIA to revise the framework to reflect current practice
- 3.8 As per the Council's Constitution '*The Chief Executive will attend one meeting per annum to report on how the Council is addressing its key strategic risks*

*and other matters of interest.* It has been agreed that the Chief Executive will attend the June sitting of the Audit and Scrutiny Committee and provide an update on the Council's strategic risks.

#### **4.0 CONCLUSION**

4.1 Overall there is sufficient evidence that risk management activity is embedded and integrated within the Council however there is scope for improvement in terms of how the risk registers are managed and their periodic review evidenced. A more detailed audit of risk management will be carried out as part of the 2018/19 internal audit plan and this will be reported to the Audit and Scrutiny Committee. The risk management framework needs to be refreshed to reflect current practice.

#### **5.0 IMPLICATIONS**

5.1 Policy – Risk management framework to be updated.

5.2 Financial – None. Report is for noting

5.3 Legal – None. Report is for noting

5.4 HR – None. Report is for noting

5.5 Equalities– None. Report is for noting

5.6 Risk– Enhanced management of Council risks

5.7 Customer Service– None. Report is for noting

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20 March 2018

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#### **APPENDICES**

1. Template for council risk registers