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**STRATEGIC RISK ASSURANCE MAPPING**

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**1. EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to set out Internal Audit's assessment of the sources of assurance for the Audit and Scrutiny Committee (the Committee) on the management of the Council's strategic risks.
- 1.2 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. A 'red' assessment 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 Agree that the Chief Internal Auditor (CIA) provides an assurance mapping exercise on an annual basis with this paper replacing the annual requirement for a risk management report.
- 2.2 Agree that Internal Audit perform an audit of compliance with risk management arrangements every three years unless issues are brought to the attention of the CIA which would suggest a review is required outwith that cycle.
- 2.3 To note the risk assurance map at appendix 1.
- 2.4 To consider the implications for audit or scrutiny coverage in the respective audit and scrutiny annual plans in 2020/21 plan and/or beyond. In particular a potential scrutiny review focusing on waste management.

**3. DETAIL**

- 3.1 Internal audit has a key role in relation to the Council's governance to provide assurance over the effective management of risk. In recent years Internal Audit have brought a 'Risk Management Overview' to the Committee on an annual basis. In 2018/19 this was replaced by a risk management audit as the Council had rolled out new risk management arrangements and the CIA was of the view that a compliance audit would provide the Committee with more assurance than the previous overview reports.
- 3.2 A further development in the past 18 months is that the Chief Executive now presents the Strategic Risk Register to the Committee on an annual basis (usually June) which provides the Committee the opportunity to scrutinise the register and seek assurance from the Chief Executive that risks are being managed appropriately.
- 3.3 The CIA is of the view that the cumulative effect of the roll out of the new risk management arrangements, the positive risk management audit report presented

to Committee in December 2018 and the development set out in paragraph 3.2 means there is less value in the previous Risk Management Overview reports and that the Committee would be better served by receiving an annual assurance mapping paper which provides an assessment of the sources of assurance over the management of the Council's strategic risks. An audit assessing compliance with the Council's risk management arrangements (similar to that referenced in paragraph 3.1) could be performed every three years to provide continued assurance to the Committee. Such an audit could be performed outwith that agreed cycle if issues are brought to the attention of the CIA that would deem a review necessary.

3.4 The Public Sector Internal Audit Standards (PSIAS) require that Internal Audit evaluate the effectiveness of the Council's risk management process. However it does not state this needs to be an annual exercise. Furthermore it states that Internal Audit's may gather the information to support an assessment of the effectiveness of risk management processes '*during multiple engagements*' and further states that '*The results of these engagements, when viewed together, provide an understanding of the organisation's risk management processes and their effectiveness*'. As such PSIAS does not require a full risk management audit on an annual basis. Furthermore The CIPFA publication "Audit Committees: Practical Guidance for Local Authorities and Police" (2018 Edition) requires the Audit Committee to have the option to consider risk management on a regular basis, regardless of who has operational responsibility for it. That option is always available.

3.5 Appendix 1 provides a summary of the Council's strategic risk assurance map which is based on the 'three lines of defence' model.

1. The first line of defence is the '*functions that own and manage risks*'. It is the control environment established by day to day business operations and risk management processes. It is formed by managers and staff who are responsible for identifying and managing risk as part of their accountability for achieving objectives. This requires an understanding of the Council, its objectives, the environment in which it operates, and the risks it faces. It includes things such as:
  - identifying risks and improvement actions
  - implementing controls
  - reporting on progress
2. The second line of defence is the '*functions that oversee or who specialise in compliance or the management of risk*'. This provides the policies, frameworks, tools, techniques and support to enable risk and compliance to be managed in the first line, conducts monitoring to judge how effectively they are doing it, and helps ensure consistency of definitions and measurement of risk. The Council's various committees and Strategic Management Team are key functions in delivering this.
3. The third line of defence is the '*functions that provide independent assurance*'. This is provided by internal and external audit and any other scrutiny or regulatory body who offer independent challenge and provide an evaluation, through a risk-based approach, on the effectiveness of the Council's governance, risk management, and internal control.

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

Strategic Risk	Risk Score (Sept 2019)	Assurance Assessment
1. Population and economic decline	Red 16	Green
2. Condition and suitability of infrastructure and asset base	Amber 12	Green
3. Financial sustainability	Amber 12	Green
4. Governance & leadership	Amber 12	Green
5. Engagement and understanding the needs of the community	Green 6	Green
6. Service delivery	Green 6	Green
7. Health & Social Care Partnership	Red 16	Amber
8. Civil contingency and business continuity arrangement are not effective	Green 6	Amber
9. Welfare reform	Amber 12	Amber
10. Waste management	Red 16	Red
11. Service delivery – Cyber Security	Green 6	Amber
12. Withdrawal from the EU	Amber 10	Green

3.7 The assurance map has identified Waste Management as an area where there may be a mismatch between the level of risk identified and the assurance provided to Committee. This is predominantly due to the Council being in the process of implementing a new waste strategy and the uncertainty being created by the Scottish Government’s ban on landfilling Biodegradable Municipal Waste (BMW) from 1 January 2021. This is should be an area for audit or scrutiny focus at an appropriate time. The CIA’s recommendation is that it be considered as a future scrutiny item.

3.8 The remaining areas where assurance has been assessed as “amber” either have audit reviews already scheduled as part of the ongoing 2019/20 audit plan or there is work provisionally planned in 2020/21 (H&SCP).

#### 4. CONCLUSION

4.1 This exercise has confirmed that for the majority of risks in the Council’s strategic risk register there are either sufficient assurances in place or internal audit currently have scheduled work to fill identified gaps. It has highlighted that further assurances are required in relation to the risks relating to the delivery of waste management.

#### 5. IMPLICATIONS

5.1 Policy - None

5.2 Financial - None

5.3 Legal - None

5.4 HR - None

5.5 Equalities - None

5.6 Risk – The assurance mapping exercise has provided a strong level of assurance that the Council is managing and monitoring its strategic risks effectively.

5.7 Customer Service – None

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**APPENDICES**

Appendix 1 – Strategic Risk Assurance Map