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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 To note the risk assurance map at appendix 1.
- 2.2 To consider the implications for audit or scrutiny coverage in the respective audit and scrutiny annual plans in 2022/23 plan and/or beyond. In particular to request an update on the Council's progress against the Best Value Action Plan in March 2022 with further annual updates reported in March of each year until the plan is fully delivered.

**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 September 2019 the Committee agreed that the CIA would perform an annual strategic risk assurance mapping exercise with this replacing a previous annual requirement for a risk management report.
- 3.2 In addition the Chief Executive presents the Strategic Risk Register (SRR) to the Committee on every September which provides the Committee the opportunity to scrutinise the register and seek assurance from the Chief Executive that risks are being managed appropriately. In 2021 the SRR is being presented by Executive Director, Douglas Hendry as he is deputizing for the Chief Executive due to prior commitments,
- 3.3 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.

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

Strategic Risk	Risk Score (Sept 2021)	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	Amber
6. Service delivery	Green 6	Amber
7. Health & Social Care Partnership	Red 16	Green
8. Civil contingency and business continuity arrangements are not effective	Green 6	Amber
9. Welfare reform	Green 6	Green
10. Waste management	Red 16	Amber
11. Service delivery – Cyber Security	Red 15	Amber
12. Withdrawal from the EU	Amber 10	Green
13. Impact of COVID -19	Amber 12	Green

3.5 The assurance map has not identified any areas where there is a 'red' mismatch between the level of risk identified and the assurances that the Committee can take over the management of the risk

3.6 For the remaining areas where assurance has been assessed as amber the CIA's recommendation is:

- **Engagement and understanding the needs of the community** – the amber is predominately due to issues raised in the Council's Best Value Assurance Report. There is an ongoing piece of scrutiny work focused on issues in the Council's BV action plan which relate to the Council's Community Asset Transfer Process. This will enable the Committee to determine whether they are content with the progress being made to address the issues flagged in the BV report.

- **Service delivery** – Also predominately due to issues raised in the Council’s Best Value Assurance Report. There is an ongoing project to review the Council’s Performance Management Framework as part of the Council’s BV Action Plan – this is scheduled to run from October 2020 till June 2022.
- **Civil contingency and business continuity arrangement are not effective** – Recent Internal Audit reviews of Business Continuity (2019/20) and Disaster Recovery Planning (2020/21) highlighted issues regarding Critical Activity response Plans and testing of Disaster Recovery Plans. Improvement actions were agreed in relation to these issues and these are ongoing. An audit of Civil Contingencies is included in the 2021/22 internal audit plan. Follow up audits of Business Continuity and Disaster Recovery Plans may be considered in the next 2-3 years. This will be factored into the annual audit planning process.
- **Cyber Security** - Same reason as detailed above for ‘**Civil contingency and business continuity arrangement are not effective**’
- **Waste Management** - Assurances over this risk are currently moderate due to the Council’s Waste Strategy being in its infancy and the full impact of the BMW ban still to be realised. On 27 April 2021 the Head of Roads and Infrastructure Services provided a presentation to the Committee regarding the Council’s Waste Strategy followed by a question and answer session. Following the presentation the Committee agreed they were assured that appropriate progress was being made in relation to the Council’s waste strategy and that inclusion of a specific scrutiny topic focusing on the Strategy would not add value at this time. The Committee agreed that the EDI Committee was the appropriate body to monitor progress and that the A&SC should maintain a watching brief.

3.7 The Strategic Risk Assurance Mapping Report presented to Committee in September 2020 recommended that an appropriate officer attend the Committee in March 2021 to provide an update on progress against Council’s BV Improvement plan to provide Committee the opportunity to scrutinise progress and pace of delivery. This took place with a report presented by the Chief Executive. It is recommended that a further update is provided to Committee in March 2022 with further updates scheduled on an annual basis.

#### 4.0 CONCLUSION

4.1 This exercise has confirmed that for all the 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. Given the ongoing work by the Council to progress the actions in the Council’s BV Action Plan it would be considered beneficial for the Committee to receive an update on progress against the Council’s BV Action Plan in March 2022 with further annual updates scheduled for March of each year until the plan is fully delivered.

#### 5.0 IMPLICATIONS

- 5.1 Policy – None
- 5.2 Financial - None
- 5.3 Legal – None

- 5.4 HR - None
- 5.5 Fairer Scotland Duty - None
- 5.5.1 Equalities – None
- 5.5.2 Socio-Economic Duty – None
- 5.5.3 Islands Duty - None
- 5.6 Risk – The assurance mapping exercise has provided assurance that the Council is managing and monitoring its strategic risks effectively
- 5.7 Customer Service - None

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**14 September 2021**

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**APPENDICES**

Appendix 1 – Strategic Risk Assurance Map