Item: 5

Monitoring and Audit Committee: 24 September 2026.

Internal Audit – Risk Management.

Report by Chief Internal Auditor.

ORKNEY ISLANDS COUNCIL

1. Overview

1.1. This report presents the internal audit report on procedures and controls relating to Risk Management, for scrutiny.

1.2. The internal audit plan 2026/27 includes a review of Risk Management. This audit has been completed and the internal audit report is attached as Appendix 1 to this report.

1.3. Risk is present across all areas that the Council operates in. Effective risk management helps ensure that risks are identified, managed and monitored to an appropriate level.

1.4. The objective of this audit was to review the controls and procedures around risk management including identifying, reporting, monitoring and communication of risk.

1.5. The audit provides Adequate assurance that procedures and controls relating to Risk Management are well controlled and managed.

1.6. The internal audit report, attached as Appendix 1 to this report, includes two medium-priority recommendations regarding risk actions and Service risk registers. There are also six low-priority recommendations regarding availability of the policy and strategy, risk management guidance, training, assurance mapping, risk appetite and records on Ideagen. There are no high-priority recommendations resulting from this audit.

2. Recommendations

2.1. It is recommended that members of the Committee:

i. Scrutinise the findings contained in the internal audit report, attached as Appendix 1 to this report, relating to the procedures and controls around risk management including identifying, reporting, monitoring and communication of risk, in order to obtain assurance that action has been taken or agreed where necessary.

For Further Information please contact:
Andrew Paterson, Chief Internal Auditor, Extension 2107, email andrew.paterson@orkney.gov.uk.

Implications of Report

1. **Financial:** None directly related to the recommendations in this report.
2. **Legal:** None directly related to the recommendations in this report.
3. **Corporate Governance:** In terms of the Scheme of Administration, the consideration of Internal Audit findings and recommendations and the review of actions taken on recommendations made, are referred functions of the Monitoring and Audit Committee.
4. **Human Resources:** None directly related to the recommendations in this report.
5. **Equalities:** An Equality Impact Assessment is not required in respect of Internal Audit reporting.
6. **Island Communities Impact:** An Island Communities Impact Assessment is not required in respect of Internal Audit reporting.
7. **Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
   ☐Growing our Economy.
   ☐Strengthening our Communities.
   ☐Developing our Infrastructure.
   ☐Transforming our Council.
8. **Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
   ☐Cost of Living.
   ☐Sustainable Development.
   ☐Local Equality.
   ☐Improving Population Health.
9. **Environmental and Climate Risk:** None directly related to the recommendations in this report.
10. **Risk:** Internal Audit evaluates the effectiveness and contributes to the improvement of the risk management processes.
11. **Procurement:** None directly related to the recommendations in this report.
12. **Health and Safety:** None directly related to the recommendations in this report.
13. **Property and Assets:** None directly related to the recommendations in this report.
14. **Information Technology:** None directly related to the recommendations in this report.

15. Cost of Living: None directly related to the recommendations in this report.

List of Background Papers
Internal Audit Plan 2026/27.

Appendix
Appendix 1: Internal Audit Report – Risk Management.

Appendix 1

ORKNEY ISLANDS COUNCIL

Internal Audit

Audit Report

Risk Management

Draft issue date: 23 July 2026

Final issue date: 25 August 2026

Distribution list:	**Director of Infrastructure and Organisational Development** **Head of Property and Asset Management** **Service Manager (Safety and Resilience)** **Chief Officer - Integration Joint Board** **Director of Education, Communities & Housing** **Director of Enterprise and Resources** **Head of Corporate Governance** **Head of Performance and Business Support**

Contents

Audit Opinion

Based on our findings in this review we have given the following audit opinion.

Adequate	**Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.**

A key to our audit opinions and level of recommendations is shown at the end of this report.

Executive Summary

This audit reviewed the Council's risk management framework and the arrangements in place to identify, assess and monitor risk across the organisation.

The Council's risk management was found to be operating at an adequate level.

During the audit we noted several areas of good practice including:

- The corporate and directorate risk registers are consistently being reviewed and scrutinised at the relevant Committee meetings across the Council.
- Responses to a survey on risk management indicated a positive attitude toward risk at the Council.
- Good practice was identified within one directorate, where risk registers are subject to regular review and timely updates.

Areas for improvement included service risk registers, with only half the services reviewed maintaining a register. Other recommendations are included to review and update policy availability and information on the risk management system. Development of a risk appetite statement and risk assurance map would help strengthen risk management at the Council by improving oversight and supporting decision-making.

The report includes 8 recommendations which have arisen from the audit. The number and priority of the recommendations are set out in the table below. The priority headings assist management in assessing the significance of the issues raised.

Responsible officers will be required to update progress on the agreed actions via Ideagen Risk Management system.

Total	High	Medium	Low
8	0	2	6

The assistance provided by officers contacted during this audit is gratefully acknowledged.

Introduction

The Orange Book – Management of Risk – Principles and Concepts, issued by the UK Government states, “Public Sector organisations cannot be risk averse and be successful.”

Risk is present across all areas that the Council operates in. Effective risk management helps ensure that risks are identified, managed and monitored to an appropriate level.

This review will look at risk management across the Council in all services.

This review was conducted in conformance with the Global Internal Audit Standards in the UK Public Sector.

Audit Scope

The scope of this audit includes, but is not restricted to, the following:

- Policy and procedures.
- Risk identification and assessment.
- Risk registers and reporting.
- Monitoring and escalation of risk.
- Communication of risk.

Audit Findings

1.0 Policy

1.1 The Risk Management Policy and Strategy 2024 to 2026 was recommended for approval by the Policy and Resources Committee on 24 September 2024. The Policy lays out responsibilities regarding risk management.

1.2 The Safety and Resilience team have recently updated their page on the Intranet. Documents relating to risk assessments are available for staff members to access. However, the Risk Management Policy is currently not available there.

1.3 There is a copy of the policy on the Council's website, however it is the previous version (2022 to 2024).

1.4 To ensure that the Policy is available to staff members we recommend that the Risk Management Policy and Strategy on the Council's website is updated to the latest version and is uploaded onto the Safety and Resilience Intranet page.

Recommendation 1

2.0 Procedures

2.1 Previously there was a document for risk management guidance which contained information on areas such as risk escalation, service risk registers and risk identification, but this is no longer being used.

2.2 We recommend that the previous Risk Management Guidance is reviewed and, where appropriate, updated and reimplemented, either as a separate document or as part of the next iteration of the Risk Management policy.

Recommendation 2

3.0 Training

3.1 There are several training courses available to staff that incorporate elements of risk, including mandatory Health, Safety and Wellbeing training, risk assessment training and specialist service-specific courses. An iLearn Risk Management course is also currently being developed.

3.2 However, at the time of the audit, no general risk management training was available to staff. Existing training focuses primarily on health and safety risk assessment or specialist service requirements.

3.3 Without risk management training, staff may fail to identify, assess, escalate or monitor risks appropriately, increasing the likelihood of financial loss, service disruption, compliance breaches and reputational damage.

3.4 We recommend that management develop and implement regular risk management training for relevant staff, including periodic refresher training.

Recommendation 3

4.0 Assurance Map

4.1 An assurance map is a document that shows what areas of an organisation are currently receiving a form of assurance, e.g. external audits and consultant reviews.

4.2 The Council currently does not have an assurance map.

4.3 Assurance maps help an organisation ensure that areas have appropriate risk management arrangements in place. They can reduce the risk of work being duplicated and help ensure resources are applied to areas that have a higher need for it.

4.4 We recommend that an assurance map is developed showing which areas of the Council are currently receiving assurance.

Recommendation 4

5.0 Risk Appetite

5.1 Risk appetite statements define the amount of risk an organisation is willing to take to achieve its objectives.

5.2 For example, an organisation may only be willing to accept low risk in Health and Safety or regulation. An organisation may be willing to take higher risk in areas such as service delivery if there are benefits to be gained.

5.3 The Council currently does not have a risk appetite statement.

5.4 Having a risk appetite statement provides a framework that can help to inform decision making, reduce uncertainty and help with consistency across the Council.

5.5 We recommend that a risk appetite statement is developed and reviewed periodically.

Recommendation 5

6.0 Risk Registers

6.1 Risk registers are a collection of currently identified risks.

6.2 The current corporate and most of the directorate risk registers use the same format. The Integration Joint Board (IJB) uses a different format. When the current register format was introduced, there was another document that was meant to be completed alongside the risk register, a risk register action plan.

6.3 The action plan gives more information on the risks in the risk register including current controls, planned controls, planned actions with a due date and responsible party.

6.4 Risk registers have been completed and reviewed regularly, however action plans alongside the register have not been completed.

6.5 SMART stands for:

- **S**pecific.
- **M**easurable.
- **A**chievable.
- **R**elevant.
- **T**ime-bound.

6.6 Apart from the IJB risk register, the current corporate and directorate risk registers are not fully SMART compliant.

6.7 SMART compliant actions help improve accountability and provide greater assurance that actions are being completed. Risk registers not being fully SMART compliant have a risk that controls are not in place against risks to the Council.

6.8 We recommend that the corporate, directorate and service risk registers include an action plan to enable the risk registers to be SMART compliant.

Recommendation 6

6.9 Ideagen Risk Management is the system used to track risks at the Council. Risks should be uploaded onto the system and monitored regularly.

6.10 For the corporate and all the directorate risk registers, they are presented to their respective committees periodically. The risk registers are also uploaded and available on Ideagen, however some of the risks are out of date and require a review.

6.11 To ensure consistency between the registers presented to committees and Ideagen, we recommend that out-of-date risks on Ideagen Risk Management System are reviewed and updated where necessary.

Recommendation 7

7.0 Service Risk Registers

7.1 Service risk registers are a collection of risks relating to a service area and should be maintained by the relevant Head of Service.

7.2 Copies of service risk registers were requested from Heads of Service for review.

7.3 Of the 14 services:

- 5 service risk registers had been reviewed recently and uploaded onto Ideagen.
- 2 service risk registers required review and upload onto Ideagen.
- 7 services did not have risk registers.

7.4 Service risk registers help identify and manage risks at an operational level before they escalate to directorate or corporate level risks. Without service risk registers, significant risks may go unidentified or unmanaged and may impact wider Council objectives.

7.5 We recommend that Directors ensure that each service within their remit maintains an up-to-date service risk register. These registers should be uploaded to the Ideagen Risk Management System and reviewed regularly to ensure risks remain current and are appropriately managed.

Recommendation 8

7.6 Good practice with regard to risk management was found in one directorate. Directorate and service risk registers had been consistently reviewed and uploaded to Ideagen. The Business Support Manager advised that taking a proactive and structured approach to managing risk had contributed to this level of compliance. Actions included:

- Scheduling risk management meetings several months in advance to help avoid conflicts with other commitments.
- Regular engagement with senior members of staff on risk management matters.
- Using Microsoft SharePoint for hosting documents and enabling direct links to the documents reducing the risk of technical or version control issues.

8.0 Risk Management Survey

8.1 A survey was conducted with Heads of Service to find their views on risk management at the Council.

8.2 Respondents were asked to rate their agreement with statements on a five-point scale where;

- 1 – Strongly Disagree.
- 2 – Disagree.
- 3 – Neutral.
- 4 – Agree.
- 5 – Strongly Agree.

8.3 The statements and an average score of the 7 responses were as follows;

- The risk management process is simple and easily understood **(3.6/5)**
- Emerging risks are actively identified and monitored. (**3.1/5)**
- Risk reporting is clear and actionable. (**3.4/5)**
- Employees understand their roles and responsibilities in relation to risk management. (**3.1/5)**
- You have the tools and systems needed to manage risks effectively. (**3.4/5)**
- Risk is embedded into decision making at the Council. (**3.6/5)**

8.4 The average response across all questions ranged between Neutral and Agree, with the statements relating to emerging risks and employees' understanding of their roles receiving slightly lower scores than the others.

8.5 There were also 4 open ended questions, the question and a summary of responses are as follows;

8.6 **What are the biggest challenges you face in managing risk? (6 responses)**

The main challenges identified were limited resources and capacity, including time, funding and staffing. Respondents also highlighted the need for greater engagement with risk management across the organisation, more flexible risk management tools, and better support for implementing risk mitigation measures.

8.7 **How could risk processes be made more practical or efficient? (5 responses)**

Respondents suggested that risk processes could be improved through greater automation, clearer guidance and templates, reduced duplication, and better risk management systems. There was also a desire for stronger integration of risk management with organisational decision-making, planning, and strategic objectives.

8.8 **What does effective risk management look like in your area? (4 responses)**

Respondents described effective risk management as being embedded in day-to-day activities, supported by clear controls, processes, training, and documentation. Key themes included a shared understanding of risk across staff, open recognition of risks, effective mitigation measures, and using risk management to inform planning and decision-making.

8.9 **Any other comments? (2 responses)**
Additional comments indicated that risk management is generally effective at a corporate level, but there is scope to strengthen its use at directorate, service, and team levels, particularly to better support planning and decision-making.

Action Plan

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
1. The Risk Management Policy and Strategy on the Council's website is updated to the latest version and is uploaded onto the Safety and Resilience Intranet page.	Low	A request to update the relevant link on the external website has been submitted to the Communications Team. However, updates to the Orkney Islands Council public website are currently subject to a change freeze pending the launch of the new website. In the interim, I can confirm that the policy has been published and is available on the Safety and Resilience page of the Council intranet, ensuring staff have access to the current version.	Service Manager (Safety and Resilience)	31 March 2027
2. We recommend that the previous Risk Management Guidance is reviewed and, where appropriate, updated and reimplemented.	Low	The Council's Risk Policy and Strategy, together with the Risk Management Guidance, are currently subject to a comprehensive review and update. The revised Risk Policy and Strategy will be presented to the Policy and Resources Committee in September 2026 for approval, with the updated guidance aligning with the agreed changes.	Service Manager (Safety and Resilience)	31 December 2026

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
3. We recommend that management develop and implement regular risk management training for relevant staff, including periodic refresher training.	Low	Service Manager (Safety and Resilience) to discuss and agree an appropriate approach with the Head of HR and OD and Service Manager (Organisational Development.	Service Manager (Safety and Resilience) Service Manager (Organisational Development)	30 June 2027
4. We recommend that an assurance map is developed showing which areas of the Council are currently receiving assurance.	Low	The approach to developing an assurance map, was considered and agreed by the Corporate Leadership Team on 20 August 2026. The agreed approach includes assurance oversight and monitoring through the Performance and Risk Management Group.	Corporate Leadership Team Performance and Risk Management Group Chair	31 March 2027
5. We recommend that a risk appetite statement is developed and reviewed periodically.	Low	This work will be incorporated into the revised risk strategy policy, management framework and guidance documentations, including the updated Risk Management Policy and Strategy and the revised Risk Assessment Guidance. The use of risk appetite, and the provision of ongoing assurance on this matter, will be aligned with the review periods of the Corporate Risk Register to ensure consistency with the	Service Manager (Safety and Resilience)	31 December 2026

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
		Council's wider risk management framework.		
6. We recommend that the corporate, directorate and service risk registers include an action plan to enable the risk registers to be SMART compliant.	Medium	(a) As part of the ongoing review of the Risk Policy and Strategy and associated Risk Management Guidance, a revised Council risk register template is being considered which would incorporate action planning fields, including action owners, target completion dates and progress monitoring. This will ensure that corporate, directorate and service risk registers are SMART compliant and provide greater assurance regarding the implementation of risk controls.	Service Manager (Safety and Resilience)	31 December 2026
		(b) Directors and Heads of Service will ensure individual risk registers are updated in line with the new template and guidance.	Corporate Leadership Team (Corporate Risk Register) Chief Officer - Integration Joint Board Director of Education, Communities and Housing Director of Enterprise and Resources Director of Infrastructure and Organisational Development	30 June 2027

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
			Head of Corporate Governance	
7. We recommend that out-of-date risks on Ideagen Risk Management System are reviewed and updated where necessary.	Low	Responsible Officers to obtain assurance that risks recorded within the Ideagen Risk Management System are being regularly reviewed and that any out-of-date risks are updated or closed as appropriate.	Corporate Leadership Team (Corporate Risk Register) Chief Officer - Integration Joint Board Director of Education, Communities and Housing	31 March 2027
8. We recommend that Directors ensure that each service within their remit maintains an up-to-date service risk register. These registers should be uploaded to the Ideagen Risk Management System and reviewed regularly to ensure risks remain current and are appropriately managed.	Medium	The requirement for Services to maintain up-to-date Service Risk Registers, including their recording on the Ideagen Risk Management System and arrangements for regular review, will be discussed and agreed at a future CLT meeting.	Chief Officer - Integration Joint Board Director of Education, Communities and Housing Director of Enterprise and Resources Head of Corporate Governance	30 June 2027

Key to Opinion and Priorities

Audit Opinion

Opinion	Definition
Substantial	The framework of governance, risk management and control were found to be comprehensive and effective.
Adequate	Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Recommendations

Priority	Definition	Action Required
High	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Medium	Weakness in governance, risk management and control that if unresolved exposes the organisation to a significant level of residual risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Low	Scope for improvement in governance, risk management and control.	Remedial action should be prioritised and undertaken within an agreed timescale.