

AUDIT COMMITTEE

20 May 2024

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to provide Members with an overview of Scottish Borders Council’s responsibilities in respect of risk management and an update on the risk management activity during 2023/24 for assurance purposes.**
- 1.2 Effective Risk Management is one of the foundations of effective Corporate Governance as recognised in the Council’s Local Code of Corporate Governance. Compliance with the principles of sound Corporate Governance requires the Council to adopt a coherent approach to the management of risks that it faces every day. Better and more assured risk management will bring many benefits to the Council and the people it serves.
- 1.3 Management have the primary responsibility to systematically identify, analyse, evaluate, control and monitor risks to the achievement of the Council’s objectives. Internal Audit is required to give independent assurance on the effectiveness of all internal controls and other arrangements put in place by Management to manage risk. Part of the Audit Committee’s role is to have oversight of the adequacy and effectiveness of the Council’s Risk Management systems and associated internal control environment.
- 1.4 In 2021, a revised Risk Management Policy statement and a 3-year Risk Management Strategy were endorsed by this Committee and approved by the Council to enable the Council to refine its approach to managing risks and embed these key aspects into the management practices of the Council. Risk Management activity during the year, in line with the Policy and Strategy, is outlined in this annual report.

2 RECOMMENDATIONS

2.1 I recommend that the Audit Committee:

- a) Acknowledges that it is satisfied with the arrangements for managing risks at the Council in support of the Council's Risk Management Policy and Strategy;**
- b) Notes the content of the Corporate Risk Register, contained within Appendix One, as at Quarter Four 2023/24 and;**
- c) Acknowledges the outcome of the Risk Management Maturity Assessment and notes that an Improvement Plan has been developed for implementation in 2024/25.**

3 BACKGROUND

- 3.1 Effective Risk Management is one of the foundations of effective Corporate Governance as stated in the Council's Local Code of Corporate Governance (approved by Council at its meeting on 30 March 2023). Compliance with the principles of sound corporate governance requires the Council to adopt a coherent approach to the management of the risks that it faces every day. Common sense serves to underline the message that better and more assured risk management will bring many benefits to the Council and the people it serves.
- 3.2 The Roles and Responsibilities are set out in the Council's Risk Management Policy. Management have the primary responsibility to systematically identify, analyse, evaluate, control and monitor risks that potentially endanger or have a detrimental effect upon the achievement of the Council's objectives and its people, property, reputation and financial stability whether through core service delivery or through a programme of change. Management continue to be supported by the Corporate Risk Officer to apply the risk management process with risk registers at Corporate and Service levels that are then uploaded to Ideagen (previously Pentana), the Council's performance and risk management system.
- 3.3 The Risk Management Strategy 2021-2024 states that risk registers should be reviewed on a proportionate basis to ensure effective monitoring of current risks and mitigating actions. As such Corporate and Red risks should be reviewed at least quarterly, Amber risks bi-annually and Green risks at least annually. This also presents an opportunity to add newly identified risks or archive risks which are no longer relevant.
- 3.4 Internal Audit is required to give independent assurance on the effectiveness of all internal controls and other arrangements put in place by Management to manage risk, and to make recommendations designed to improve the management and mitigation of risks, in particular where there is exposure to significant financial, strategic, reputational and operational risks to the achievement of the Council's objectives.
- 3.5 Part of the Audit Committee's role is to have oversight of the adequacy and effectiveness of the Council's Risk Management systems and associated internal control environment. The Audit Committee Annual Report 2022/23 (presented to Council at its meeting on 25 May 2023, by the Chair of the Audit Committee) contained the following improvement action to strengthen its development as a fully effective Audit Committee: "Support Management proposals to implement risk management benchmarking to enable the Committee to fully assess effectiveness of risk management arrangements."

4 RISK MANAGEMENT ACTIVITY 2023/24

- 4.1 During 2023/24, Corporate Risks have received quarterly risk reviews, facilitated by the Corporate Risk Officer and a summary of these were presented to the Council Management Team (CMT) on a quarterly basis, in accordance with the Risk Management Strategy 2021-24 (See Appendix One for the Q4 2023/24 summary of the Corporate Risk Register). The presentation of the Corporate Risk Register forms part of a quarterly Risk Management Update Report which details wider activity progressed by the Corporate Risk Officer during each quarter and includes, as appropriate, reference to specific activity underway in relation to individual Corporate Risks. These quarterly reports are instrumental in aiding CMT to have effective oversight of the implementation of the Council's Risk Management Framework with a focus on risk mitigation actions, particularly those relating to Red rated risks. In addition, these quarterly Risk Management Update Reports and the underpinning summary of the Corporate Risk Register are now being disseminated to Senior Management Teams (SMTs) to increase knowledge and awareness of the Council's strategic risks and ongoing risk mitigation activity. It is envisaged that this approach will not only facilitate greater transparency of risk reporting arrangements but will allow Service Risk Owners to see more clearly the linkages between the Council Plan, the Corporate Risk Register and Service Plans.
- 4.2 Building on the above, Directors have remained cognisant of any emerging threats to the achievement of both implicit and explicit Council objectives and have established mechanisms to strengthen current controls and identify new controls for existing risks, where appropriate. At times, emerging threats lead to the development of new Corporate Risks, whereby they are comprehensively mapped out, understood and then managed (through the identification of required controls and actions) to ensure that they remain within tolerable levels. During 2023/24, new Corporate Risks 034 "National Care Service Partnership" and 035 "External Providers of Sport, Leisure and Culture Services" were added to the Risk Register. Corporate Risk 034 was added to reflect the potential implications of Scottish Government's proposed National Care Service while the development of Corporate Risk 035 was informed by the Live Borders – Joint Strategic Review of Sports, Leisure and Cultural Services and Facilities Report (presented to Council at its meeting on 23 November 2023).
- 4.3 Furthermore, one of the key principles of effective Risk Management is proportionality and in this regard two notable changes have taken place during the year. Firstly, a decision was taken by CMT in December 2023 to align the review of the Corporate Risk Register with that of Service Risk Registers and as such Corporate Red Risks will be reviewed quarterly and Corporate Amber Risks will be reviewed bi-annually. This decision ensures that risks exceeding tolerable levels continue to be reviewed on a quarterly basis while acknowledging that there is often very little change to Amber risks within a quarter, given the lead times inherent in the implementation of strategic work to mitigate them. Secondly, it should be noted that reviews of Corporate Risk 019 "C&YP/Learner Placements" have taken place more frequently than the requirements set out in the Risk Management Strategy 2021-24. This is in response to its heightened risk score and the subsequent need to maintain a strong focus on this risk and more closely monitor the progress of enhanced mitigations as they are developed.

- 4.4 Similarly during 2023/24 the Corporate Risk Officer has facilitated risk reviews for all Service Risk Registers broadly in line with the Risk Management Strategy 2021-24 (Red risks quarterly, Amber risks bi-annually and Green risks at least annually), balancing this with Risk Owner availability and other competing priorities such as the refresh of the Pension Fund Risk Register and the undertaking of the Risk Management Maturity Assessment. An update on service risk review activity is also presented to CMT on a quarterly basis in the form of a Risk Tree. This details the date on which risks were last reviewed, the Red, Amber, Green (RAG) status of each and any notable information associated with individual risk registers, helping to enable greater CMT oversight of risk management activity at an operational level. The Quarter 4 2023/24 Risk Management Update Tree, presented to CMT on 8 May 2024, detailed that there were approximately 40 established Service Risks Registers, six new ones in development and 14 Programme and Partnership Risk Registers. An overview of Service Risk Registers were captured as part of the Directors Risk Management Presentations to Audit Committee during 2023/24.
- 4.5 Building on the above, the Corporate Risk Officer has continued to facilitate risk workshops and development sessions for several new Service, Programme and Partnership Risk Registers and to refresh existing ones on request by Management. This work is indicative of the ever-changing responsibilities, partnerships, projects and legislative dimensions to which the Council is exposed and both the threats and opportunities that arise as a result. It should be noted that the development of new risk registers takes substantially more time than it does to carry out reviews of established risk registers. The Corporate Risk Officer has also provided guidance and advice to Programme Managers to indirectly support them to develop other risk registers, providing feedback and scrutiny to ensure the consistent application of the Risk Management Policy and Strategy 2021-24, as risk registers are being developed.
- 4.6 The cycle of Director Risk Management Presentations to the Audit Committee continued during 2023/24. The Director Risk Management Presentations strongly focused on the strategic risks facing their respective service areas and the internal controls and governance in place to manage and mitigate those risks, demonstrating how risk management is embedded at both corporate and service levels. This approach provided an opportunity for the Members of the Audit Committee, as part of their oversight remit, to gain a fuller understanding of how Management are discharging their risk management responsibilities in practice and to assess the adequacy and effectiveness of the Council's risk management arrangements. It should be noted that during 2023/24 CMT has undergone a restructure and as a result the Directorate Finance & Corporate Governance was separated into two: Finance & Procurement and Corporate Governance. Finally, and in line with the dissemination of the Quarterly Risk Management Update Reports to SMTs, the Director Risk Management Presentations were also disseminated to SMTs during 2024, in response to feedback received and to aid greater transparency. The record of Director Risk Management Presentations is outlined below:

Director	Date of Presentation
Director Education & Lifelong Learning	12 December 2022
Chief Executive	13 February 2023
Director Infrastructure & Environment	13 March 2023
Director Social Work & Practice	10 May 2023
Director Strategic Commissioning & Partnerships	27 June 2023
Director Resilient Communities	25 September 2023
Director People, Performance & Change	13 November 2023
Director Finance & Procurement	12 February 2024
Director Corporate Governance	11 March 2024

- 4.7 Work has been undertaken on the Risk Appetite Toolkit in 2023/24 to revisit and enhance the Technology and Information Section to reflect cyber-security threats and associated controls more fully. This change was made to meet a recommendation of the Cyber Security Maturity Assessment undertaken in 2022 and reflects a process of continuous review and refinement of the Risk Appetite Toolkit to ensure its ongoing relevance in capturing emerging threats and feedback received from external experts and colleagues. The changes to the Toolkit were approved by the Digital Security Board at its meeting on 22 April 2024 and was endorsed by CMT at its meeting on 8 May 2024.
- 4.8 Since the presentation of the Risk Management Annual Report 2022/23 work has continued to be progressed by the Emergency Planning Team to upgrade and update the Council's Business Continuity System (Continuity2), following approval by the Covid-19 Response and Recovery Board on 15 February 2022. As set out in the approved proposal: "Business Continuity Management (BCM) is an established part of the UK's preparations for managing risks faced by organisations, whether from internal system failures or external emergencies such as extreme weather, flooding, terrorism, or infectious diseases". It was further noted that: "The Civil Contingencies Act 2004 places a statutory requirement on Scottish Borders Council as a Category 1 Responder to put in place internal Business Continuity Arrangements". Integral to this is the establishment of a standardised and consistent approach to the updating of Business Continuity Plans and their subsequent review and testing, for which the system upgrade is a key enabler. Work to upgrade the system is nearing completion and once finalised the Corporate Risk Officer will support the Emergency Planning Team in the training and development of Business Continuity Plan Owners to ensure that they have the required skills and knowledge to review and update their plans and utilise the full functionality of the new software system, ensuring a consistency of approach across the organisation and the achievement of best value. As Risk Management and Business Continuity are intrinsically linked, supporting this work also serves to support the effective application of the Risk Management Framework and foster stronger links between these two cross cutting and interdependent Council activities, whilst meeting corporate objectives to ensure the provision of statutory Council functions and remove the single point of failure (i.e. resourcing) which has previously existed in this area.

- 4.9 The Chief Officer Audit & Risk and the Corporate Risk Officer liaise on a regular basis with a number of colleagues, to support cohesive and joined-up internal working. Most notably, during 2023/24 there has been ongoing monthly engagement with the Corporate Policy Team with a view to ensuring stronger links between the Council Plan (and its subsequent refreshes), the development of Service Plans and Risk Management.
- 4.10 Furthermore, regular engagement with senior managers continues to be undertaken with the Chief Officer Audit & Risk attending Service Management Team Meetings to provide updates on risk management activity and, where relevant, to raise awareness of new developments and to gather feedback, which during 2023/24 has led to the dissemination of the Risk Management Quarterly Update Reports and the Director Risk Management Presentations.
- 4.11 The Chief Officer Audit & Risk and the Corporate Risk Officer are corporate members, for the Council, of two professional risk management bodies: the Institute of Risk Management (IRM) and the Association of Local Authority Risk Managers (ALARM). Membership allows access to a wide range of resources, seminars and information on best practice as it is developed, knowledge from which can be used to strengthen the Council's approach to and implementation of effective risk management processes and practices.
- 4.12 The Corporate Risk Officer joined the Internal Audit Team in attendance at the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) Conference at Dumfries House, on the 15 & 16 June 2023. The conference covered a number of topics: procurement fraud, data analytics, climate change and resourcing. This presented a valuable opportunity to network with risk colleagues from other Scottish Local Authorities. One key outcome of the conference was the decision to create a SLACIAG Risk Sub-Group and the Terms of Reference (TOR) for this group was approved in December 2023. The creation of the Sub-Group will facilitate shared learning, the transfer of knowledge and will enable peer review and benchmarking opportunities.
- 4.13 Liaison continues with the Corporate Risk Officer and Internal Audit on an on-going basis to ensure that assurance audits are informed by risk and that risk reviews take account of improvement recommendations arising from audit work. The Corporate Risk Officer receives final Internal Audit Reports as relevant and appropriate and supports Risk Owners in the implementation of any risk related actions arising.
- 4.14 The Chief Officer Audit & Risk is a mandatory consultee for all Committee reports. Due to resource capacity and sometimes time pressures this is carried out on a sample basis. The Committee Reports Guidance document enables report writers to complete the Risk and Mitigations section sufficiently referencing relevant risks. The appropriate risk implications within committee reports ensures that Elected Members have sufficient access to information to support them in the decision making process. During 2023/24 the Corporate Risk Officer has provided feedback to several Report Authors on the Risk and Mitigations section of Committee Reports to aid them in strengthening their underlying message, to highlight mitigation actions that are being pursued, new risks that have emerged or risks that will be positively impacted by the report or proposal.

5 PARTNERSHIP ARRANGEMENTS

- 5.1 To reflect the Council's contribution of corporate support resources to partnership working, risk management advisory and support services were provided by the Corporate Risk Officer to Live Borders, the Scottish Borders Health and Social Care Integration Joint Board and the Scottish Borders Council Pension Fund, using the same systematic approach as part of their respective business or strategic planning processes.
- 5.2 Monthly meetings have been held with the Integration Joint Board's (IJB) Chief Officer, Chief Financial Officer and NHS Borders' (NHSB) Risk Manager to focus on specific IJB Audit and Risk items. The Integrated Risk Forum that was established in early 2023, to foster strong working relationships between the partners of the IJB (SBC & NHS), has continued to meet during 2023/24 with a key aim being to support enhanced risk management reporting to the IJB and better enable the achievement of IJB objectives.
- 5.3 Building on the above, work was undertaken during 2023/24 to refresh and reframe the Strategic IJB Risk Register to establish close alignment with the Strategic Issues identified in the Health and Social Care Strategic Framework 2023-2026. The aim of this work was to underpin the objectives of integration and to create a 'golden thread' which should ultimately support effective and informed decision making by the IJB. The refreshed Risk Register was endorsed by the IJB at its meeting on 15 November 2023.
- 5.4 Furthermore, the IJB Risk Management Policy and Strategy was reviewed and refreshed in 2023 to reflect the Risk Management developments that have been introduced during the last three years and improvements identified to better align it to the IJB's strategic commissioning role, whilst also recognising the partnering dimension. Notably, this refresh was undertaken with input from the NHSB's Risk Manager at the Integrated Risk Forum, evidencing strengthened partnership working between SBC and NHSB. The revised Risk Management Policy and Strategy 2023-2026 were endorsed by the IJB at its meeting on 24 January 2024.
- 5.5 Work was also undertaken by the Chief Officer Audit & Risk and the Corporate Risk Officer during 2023/24 to refresh the Pension Fund Risk Register and develop an associated risk reporting timetable. The aim of this piece of work was to reduce the number of risks to a more manageable amount, ensuring that they are appropriate, easily measurable and within control of the Pension Fund Committee. Significant engagement was undertaken with relevant Risk Owners to inform this work which culminated in a reduction in the number of risks on the register from 51 to 17. The refreshed Risk Register was endorsed at the joint meeting of the Pension Fund Committee and Pension Board on 4 March 2024.
- 5.6 Finally, work was also undertaken during 2023/24 to create a standalone Pension Fund Risk Management Policy and Strategy 2024-2026. This ensures that there is a relevant risk management framework in place for the SBC Pension Fund aligned to its specific objectives, governance and administration and; outlines its vision, and states the roles and responsibilities in managing the risks of the SBC Pension Fund. The Risk Management Policy and Strategy 2024-26 were approved at the joint meeting of Pension Fund Committee and Pension Board on 4 March 2024.

6 RISK MANAGEMENT MATURITY ASSESSMENT

- 6.1 As set out in the Risk Management Annual Report 2022/23: Next Steps, the Chief Officer Audit & Risk and the Corporate Risk Officer undertook a Risk Maturity Assessment in 2023/24 to evaluate the efficacy of the Council's Risk Management Framework with a view to identifying distinct examples of good performance and identify areas of required improvement.
- 6.2 The Assessment utilised a toolkit developed by HM Treasury (entitled: Risk Management Assessment Framework: A Tool for Departments, July 2009) which was itself adapted from the European Foundation for Quality Management (EFQM) Excellence Model. The Toolkit is structured around seven core areas for assessment:
- Leadership,
 - Risk Strategy Policies
 - People,
 - Partnerships,
 - Processes,
 - Risk Handling
 - Outcomes

Each core area has a set of underpinning questions. These questions were answered using a combination of self-assessment evidence gathering and survey questions which were answered by Directors and Risk Owners across the Council.

- 6.3 The Assessment culminated in the creation of an Improvement Plan that will be implemented during 2024/25. The graphic (Appendix Two) illustrates the current Assessment of Scottish Borders Council's Risk Management Maturity 2023/24 in further detail.

7 CONCLUSION

- 7.1 The above demonstrates that the management of risks continues to be embedded throughout the Council and is recognised as an essential part of management practice, which is the key objective of the Corporate Risk Management Policy and Strategy 2021-2024. Effective Risk Management is a key enabler of informed decision-making and should help to ensure that decisions are taken with a comprehensive understanding of the associated risks.

8 RISK MANAGEMENT NEXT STEPS 2024/25

- 8.1 The Risk Review Programme of Work for the Corporate Risk Officer in 2024/25 is being developed on a quarterly rolling basis to incorporate the cycle of Corporate Risk Register reviews, relevant Service Risk Register reviews, Programme and Partnership Risk Register reviews along with the development of new risk registers, in collaboration with Management.
- 8.2 The Risk Appetite Toolkit will continue to be implemented across the Council, the application of which will support the development of additional risk reporting to CMT to facilitate enhanced risk management oversight and decision making. Building on this, the Chief Officer Audit & Risk and the Corporate Risk Officer will continue to explore the ways in which current Risk Management Reporting can be further enhanced. This will be informed by the knowledge gained from the Council's membership of two professional risk management bodies: The IRM and ALARM.
- 8.3 Furthermore, the Risk Management Training Course for Managers will be updated by the Corporate Risk Officer to reflect the Risk Management Policy, Strategy, Process Guide and the Appetite, Tolerance and Capacity Toolkit, and to reflect lessons learned from the Risk Management Maturity Assessment 2023/24. The updated Risk Management Training Course will be available on the e-Learning platform (SB Learn) and will ensure that Managers continue to have the skills and competencies required to identify, evaluate, monitor and control risks in line with the Corporate Risk Management Framework.
- 8.4 Building on the alignment of the Corporate Risk Register with the Council Plan 2024/25, efforts will continue to be made by the Chief Officer Audit & Risk and the Corporate Risk Officer to align the corporate risk management process with both the business planning (i.e. departmental delivery plans / service plans) and performance management processes as they are further developed. Once in place Management will have access to a very valuable management tool for planning, monitoring, reporting and assurance. This will be supported by ongoing engagement with key colleagues, ensuring that joined-up and collaborative working is progressed in the pursuit of achieving the objectives and priorities outlined in the Council Plan.
- 8.5 Significant time will be allocated during 2024/25 for the Chief Officer Audit & Risk and the Corporate Risk Officer to implement actions within the Improvement Plan arising from the Risk Management Maturity Assessment 2023/24. This will culminate in the revised Risk Management Policy and Risk Management Strategy 2025-2027 being presented for consideration by the Audit Committee in advance of its approval by Council.
- 8.6 Discussions will be held with the members of the Audit Committee, following the conclusion of the cycle of Director Risk Management Presentations to the Audit Committee during 2022 to 2024, to establish the future Reporting arrangements for Assurance Purposes and enable these to be reflected within the revised Risk Management Policy and Risk Management Strategy 2025-2027.

9 IMPLICATIONS

9.1 Financial

There are no financial implications as a direct result of the report. The Corporate Risk Officer resource costs are contained within budgets. Any additional costs arising from enhanced risk mitigation will have to be considered and prioritised against other pressures in the revenue budget.

9.2 Risk and Mitigations

The report sets to assure the Audit Committee that the Council is undertaking its risk management responsibilities adequately. It also allows the Committee to fulfil their remit as set out in the Council's Risk Management Policy.

9.3 Integrated Impact Assessment

There is no relevance to Equality Duty or the Fairer Scotland Duty for this report. An Integrated Impact Assessment (IIA) was completed as part of the revised Risk Management Policy statement and Risk Management Strategy 2021-2024, approved by Council on 16 December 2021. This is a routine good governance report for assurance purposes.

9.4 Sustainable Development Goals

The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals, based on completion of the checklist as part of the revised Risk Management Policy statement and Risk Management Strategy 2021-2024, approved by Council on 16 December 2021. Good governance including the management of risks is important to enable Scottish Borders Council to achieve its objectives, including those supporting sustainable development.

9.5 Climate Change

This report does not relate to any proposal, plan or project and as a result the checklist on Climate Change is not an applicable consideration. Good governance including the management of risks, is important to enable Scottish Borders Council to achieve its objectives, including those supporting its climate change obligations. Information on Corporate Risk CMT032 Climate Change is contained within the Q4 2023/24 summary of the Corporate Risk Register (Appendix One).

9.6 Rural Proofing

This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

9.7 Data Protection Impact Statement

There are no personal data implications arising from the content of this report.

9.8 Changes to Scheme of Administration or Scheme of Delegation

No changes are required to either the Scheme of Administration or the Scheme of Delegation as a result of the content in this report.

10 CONSULTATION

10.1 This report has been presented to the Council Management Team (CMT) on 8 May 2024 who play a key leadership role in ensuring the identification and effective management of the risks relating to the Council's core business, transformation and partnership activities, and in embedding these key aspects into the management practices of the Council. Part of CMT's oversight includes a strong focus on the mitigation actions associated with those risks that present the most significant threat to achieving the Council's objectives as set out in the Council Plan.

10.2 The Director of Finance, Director of Corporate Governance (and Monitoring Officer), Director of People, Performance & Change, and Communications Team have been consulted on this report and any comments received have been taken into account.

Approved by

Jill Stacey, Chief Officer Audit and Risk Signature

Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit & Risk
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Background Papers: Scottish Borders Council's Corporate Risk Management Policy Statement and Corporate Risk Management Strategy 2021-2024

Previous Minute Reference: Audit Committee 10 May 2023

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Emily can also give information on other language translations as well as providing additional copies.

Contact us at Emily.Elder@scotborders.gov.uk