
Risk Management Annual Report 2015/16

Report by Chief Officer Audit & Risk

Audit and Risk Committee

28 June 2016

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 the progress made to deliver the Council's Risk Management Strategy 2015 including an update on improvement actions to refine the arrangements to managing risk at the Council.**
- 1.2 Effective Risk Management is one of the foundations of effective Corporate Governance and is recognised as such 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 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.
- 1.3 Part of the Audit and Risk Committee's role is to scrutinise the framework of internal financial control, risk management and governance throughout the Council to ensure its adequacy.
- 1.4 The Risk Management review was undertaken during 2014, the findings of which were presented to Audit and Risk Committee in January 2015 along with recommended improvement actions to refine the risk management arrangements at the Council to ensure their on-going effectiveness. The status of the corporate risk management improvement actions as at 17 March 2016 is shown in Appendix 1.
- 1.5 The Council continues to refine its approach to Risk Management and embed these key aspects into the management practices of the Council.

2 RECOMMENDATIONS

- 2.1 I recommend that the Audit and Risk Committee**
- a) acknowledges that it is satisfied with the progress of the risk management improvement actions to refine the risk management arrangements at the Council to ensure their on-going effectiveness; and**
 - b) considers whether any further action is required.**

3 RISK MANAGEMENT BACKGROUND

- 3.1 Effective Risk Management is one of the foundations of effective Corporate Governance and is recognised as such 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 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 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.
- 3.3 Part of the Audit and Risk Committee's role is to scrutinise the framework of internal financial control, risk management and governance throughout the Council to ensure its adequacy.

4 RISK MANAGEMENT REVIEW PROGRESS

- 4.1 The risk management landscape is dynamic and as the Council, in common with other local authorities, increasingly moves towards partnerships and alternative delivery models, the spectrum of risks that the Council is exposed to also increases. These factors led the Chief Officer Audit & Risk to commission a review of the Council's approach to managing risk in 2014.
- 4.2 In summary, the Corporate Risk Management Review 2014 concluded that although risk management arrangements were in place they were not fully embedded within the business planning and performance management, monitoring and reporting processes. Risks should be aligned with corporate objectives and should therefore be considered within the business planning process. This ensures that the risks to achieving these objectives are identified and prioritised.
- 4.3 The findings of Corporate Risk Management Review 2014 were presented to the Audit and Risk Committee in January 2015 along with recommended improvement actions to refine the risk management arrangements at the Council to ensure their on-going effectiveness. The Audit and Risk Committee is expected to scrutinise progress with the implementation of the refined Risk Management approach across the Council, and to assess effectiveness of risk management arrangements.
- 4.4 An Internal Audit review was carried out during 2015/16 to provide an independent and objective assessment of the progress made on the implementation of the corporate risk management improvement actions arising from the Risk Management Review of 2014 including, policy, strategy, training and toolkits. The status of the corporate risk management improvement actions arising from the Internal Audit review as at 17 March 2016 is shown in Appendix 1.
- 4.5 The Council's approach to managing risk has been refined in 2015. The revised Corporate Risk Management Policy statement (February 2015) sets out the Council's systematic approach to the identification, evaluation and effective management of the risks it faces every day, including roles and responsibilities. The Corporate Risk Management Strategy (February 2016) sets out the arrangements for applying the risk management policy in practice, building on the foundation of existing risk management arrangements and adding value by aligning risk management to the business planning and performance management processes.

- 4.6 Management continue to be advised and supported by central specialist support resource to fulfil their responsibilities for managing risk. A new 1 FTE Corporate Risk Officer post was established in 2015 within the Audit & Risk service arising from an internal service restructure and required reduction in staff resources to deliver financial savings.
- 4.7 The Corporate Risk Officer provides professional advice and support and maintains an overview of risk management across the Council to ensure systems of identification, evaluation and management of key risks facing the Council continue to be robust. These include scheduling and facilitation of risk reviews, provision of guidelines, refresh on risk management practices during risk workshops, and delivery of Risk Management training for managers within the Corporate Training Programme. These risk management advisory and support services are provided to the Council, Scottish Borders Pension Fund, SB Cares and Live Borders (formerly BSLT).
- 4.8 As a result of the alignment of the Risk Management Process with the Business Planning Process for 2016/17 the Council now has a standard risk management process with risk registers at Corporate, Strategic and Operational business levels uploaded to Covalent, the Council's performance management system. The benefits of the risk management improvement actions will not be fully realised until the implementation of the upgraded business planning and performance management in Covalent, integrated with risk management, is up and running.
- 4.9 The Risk Management training for managers within the Corporate Training Programme is supported by senior management. The Course Objectives are: Understand why the management of risk is an essential part of management responsibilities; Understand how managing risks is fundamental to business plans; Be able to identify risks to achieving objectives and to put actions in place to mitigate these risks; and Understand how risks are analysed, assessed, recorded and monitored in the Council. During the year a total of 12 training events were delivered by the Corporate Risk Officer which were attended by 96 managers, and positive feedback was received. Further training course dates have been scheduled in 2016/17 to meet demand though further steps need to be taken to ensure that all relevant managers complete their training.
- 4.10 Some examples are set out below of specific work carried out by the Corporate Risk Officer with relevant managers in 2015/16 which are out with the business planning remit and therefore not uploaded to Covalent:
- The transfer of Scottish Borders Pension Fund's previous risk register to the new format which clearly states the causes/triggers of the risks and the controls to mitigate them. The wording has also been reviewed and revised as appropriate into plain English. This work is to ensure that risks and mitigations are clearly understood by the Pension Fund Committee and Board to fulfil their roles;
 - A significant piece of work was done to provide the Procurement service with a risk register which ensures the requirements of procurement legislation are met;
 - Information Governance work to ensure practices reflected in the information risk management strategy comply with corporate risk management procedures. A risk register is in place at the strategic level owned by the Senior Information Risk Owner (SIRO). There is a clear line of escalation between services and the Information Team to ensure that risks are identified and controlled; and
 - Involvement in the Roads Review from the outset in recognition of the importance of risk management at the beginning of a project.

- 4.11 Steps are underway in 2016/17 to focus on other areas where work needs to be done to confirm systematic and effective risk management arrangements including partnership arrangements, transformation and change programmes and projects, and alternative delivery models.
- 4.12 The year-2 programme of work for 2016/17 for the Corporate Risk Officer will build on work undertaken in 2015/16, the positive outcomes and working relationships that have been established. One such example, demonstrating the effectiveness of the risk management training course, is the work requested by a course attendee that has taken place in the first few months of 2016/17 with the Child Protection Committee to develop a risk register. In light of unprecedented attention on historical cases relating to standards of child protection and in connection with external scrutiny and inspection work, risk management is being utilised to enhance the complex and multi-agency processes that are in place to provide robust child protection across the Scottish Borders. Similar work is planned with the Adult Protection Committee and the Offender Management Committee to enhance the assurance framework in those service areas.
- 4.13 During 2015/16 various Service Directors representing the diverse range of Council services have made presentations to the Audit and Risk Committee at each of their meetings on the strategic risks facing their services and the internal controls and governance in place to manage / mitigate those risks to demonstrate how risk management is embedded within services. This approach has provided the opportunity to the elected and external members of the 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 enable them to hold Management to account on the application of revised Corporate Risk Management Policy.
- 4.14 The above demonstrates that as a result of the Corporate Risk Management Review 2014 and the implementation of recommended improvement actions during 2015/16, the management of risks is being embedded and recognised as an essential part of management practice above and beyond the business planning remit. It is becoming an essential part of decision making and should help to ensure that decisions are taken and risks are fully understood. Risk management is moving away from solely being a process to being an essential part of management activities which is the key objective of the Corporate Risk Management Policy 2015.

5 IMPLICATIONS

5.1 Financial

There are no financial implications as a direct result of the report. All the costs involved are contained within the central Risk Management (1 FTE Corporate Risk Officer) or departmental budgets. Any additional costs arising from enhanced risk mitigation will have to be considered and prioritised against other pressures in the revenue budget.

5.2 Risk and Mitigations

The report sets out an overview of Scottish Borders Council's responsibilities in respect of risk management. It also describes the progress made on implementing the recommended improvements arising from the 2014 review to refine the risk management arrangements at the Council to ensure their on-going effectiveness.

5.3 Equalities

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religious/belief arising from the work contained in this report.

5.4 Acting Sustainably

No direct economic, social or environmental issues with this report.

5.5 Carbon Management

No direct carbon emissions impacts as a result of this report.

5.6 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.

5.7 Changes to Scheme of Administration or Scheme of Delegation

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

6 CONSULTATION

6.1 The Corporate Management Team has been consulted on this report and any comments received have been incorporated into the report.

6.2 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer HR and the Clerk to the Council have been consulted on this report and any comments received have been incorporated into the report.

Approved by

Jill Stacey, Chief Officer Audit & Risk **Signature**

Author(s)

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Background Papers: Scottish Borders Council's Corporate Risk Management Policy statement (February 2015) and Corporate Risk Management Strategy (February 2016)

Previous Minute Reference: Council 19 February 2015 and 25 February 2016; Audit and Risk Committee 19 January 2015 and 23 November 2015

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

Contact us at Justine Leuty, jmleuty@scotborders.gov.uk

Improvement Actions Status as at 17 March 2016 (Internal Audit review 2015/16)

Ref	Improvement Action	Progress to Date	Status / target date
1	Revised Risk Management Policy	The revised Risk Management Policy was approved by Council on 19 February 2015 on recommendation by Audit and Risk Committee on 19 January 2015.	Complete
2	Revised Risk Management Strategy, Procedures, Processes and Guidelines	The revised Risk Management Process Guide was approved in September 2015. The revised Risk Management Strategy was approved by Council on 25 February 2016 on recommendation by Audit and Risk Committee on 23 November 2015.	Complete
3	Alignment of the Risk Management Process with the Business Planning Process	The plan is that this work will be completed as part of the 2016/17 Business Planning cycle.	Work in progress subject to full implementation of the Business Planning process
4	Risk Management Training Programme developed and delivered	Risk Management Training on the revised policy and process was developed and a programme launched during 2015. Corporate Management Team in their role as champions of risk management has taken a strong interest in ensuring that all relevant managers complete their training.	Work in progress; Due date 31 Dec 2016
5	Facilitated Risk Management Workshops to help service managers identify their risks	Facilitated Workshops for 2015/16 were led by the Corporate Risk Officer. This resulted in the development of Risk Registers for the majority of service areas. The Risk Register review process is underway for 2016/17.	Work in progress; Due date 31 May 2016
6	Use of Covalent	Risk Registers were uploaded onto Covalent for 2015/16. As yet the 2015/16 Action Plans (implementing the Business Plans) have not been uploaded onto Covalent. This has meant that Actions, PIs and Risks have not yet been linked and therefore the risk reporting facility not enabled. It is the intention that the 2016/17 Business Planning cycle will ensure that this work is done.	Work in progress; Due date 31 May 2016
7	Clarification of roles and responsibilities for risk management including escalation	Roles and Responsibilities have been clarified in the Policy Statement and Strategy which includes clarification of risk escalation.	Complete
8	Standardisation of Risk Reporting reports from Covalent to follow Performance Management Reporting timetable	It is intended that risk reporting be facilitated through Covalent. Any delays to input of Action Plans, PIs and Risks into Covalent for the new Business Planning year 2016/17 will impact the risk reporting facility.	Work in progress; Due date 31 May 2016