
RISK MANAGEMENT ANNUAL REPORT 2017/18

Report by Chief Officer Audit & Risk

AUDIT AND SCRUTINY COMMITTEE

14 May 2018

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 (approved by Council in February 2016).**
- 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 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 Part of the Audit and Scrutiny Committee's role (Audit function) is to scrutinise the framework of internal financial control, risk management and governance throughout the Council to ensure its adequacy.
- 1.4 The findings of the Risk Management review undertaken during 2014 were endorsed by the Audit and Risk Committee in January 2015, to refine the risk management arrangements at the Council to ensure their on-going effectiveness. A report on the status of recommended improvement actions has been presented each year; the most recent 2016/17 was presented to the Audit and Risk Committee in March 2017.
- 1.5 The Council continues to refine its approach to Risk Management and embed these key aspects into the management practices of the Council, as shown within this report which outlines progress made during 2017/18.

2 RECOMMENDATIONS

- 2.1 I recommend that the Audit and Scrutiny Committee**
 - a) Acknowledges that it is satisfied with the progress of the improvement actions to refine the arrangements for managing risks at the Council to ensure their on-going effectiveness;**
 - b) Considers whether any further action is required; and**
 - c) Endorses the revised Risk Management Policy Statement (Appendix 1) and Strategy 2018 (Appendix 2) for full Council approval.**

3 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 (approved by Council, May 2016). 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 findings of the Corporate Risk Management Review undertaken during 2014 were endorsed by the Audit and Risk Committee in January 2015. In summary, it 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.
- 3.3 Management continue to be advised and supported by a central specialist support resource, 1 FTE Corporate Risk Officer post within the Audit & Risk service, to fulfil their responsibilities for managing risk. 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.
- 3.4 Part of the Audit and Scrutiny Committee's role (Audit function) is to scrutinise the framework of internal financial control, risk management and governance throughout the Council to ensure its adequacy. A report on the status of recommended improvement actions has been presented each year; the most recent 2016/17 was presented to the Audit and Risk Committee in March 2017.

4 STATUS OF RISK MANAGEMENT ACTIVITY 2017/18

- 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.
- 4.2 Examples are set out below of specific work carried out by the Corporate Risk Officer with relevant Managers in 2017/18 outlining further progress towards embedding a risk management culture within management working practices.

Revised Risk Management Policy

- 4.3 The Corporate Risk Management Policy Statement (approved by Council in February 2015; revised in March 2018 for approval – Appendix 1) 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 Policy states that it shall be reviewed annually and accordingly is presented for endorsement by the Audit and Scrutiny Committee for full Council approval.

Revised Risk Management Strategy, Procedures and Guidelines

- 4.4 The Corporate Risk Management Strategy (approved by Council in February 2016; revised in March 2018 for approval – Appendix 2) 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. Again, in line with the Risk Management Policy, the Strategy shall be reviewed annually and accordingly is presented for endorsement by the Audit and Scrutiny Committee for full Council approval. Guidelines, Templates and Prompt Lists are updated, as appropriate, and published on the Intranet for Managers to use.

Risk Management alignment with Business Planning

- 4.5 The Corporate risk register and all service risk registers are held in Pentana Performance Management System (formerly Covalent). Whilst the risk registers are reviewed on a quarterly basis, there is still a gap in linking them to the business plans. If a risk is to be treated further, then mitigating actions should be assigned to the relevant risk within this system so Managers have an overview of all KPI's, actions and risks in one place. If the Risk Management framework and strategy is to work to full efficacy then the use of Pentana system should be encouraged (enforced) for all Services.

Contracts and Commissioned Services

- 4.6 Internal Audit have identified that the lack of a contract management framework may leave the Council vulnerable to risks from not having a robust system of monitoring and review in place. The Council recognise that outsourcing services through contracts and commissioned services does not remove the statutory obligation and therefore the consequences of any failure of these arrangements. The Council agreed to establish a Contract Management Framework Working Group to devise a Contract Management Framework. The first meeting of the Group took place on 26 March 2018 and continue to meet on a monthly basis.
- 4.7 Risk management advisory and support services are provided to SB Cares, Live Borders and the Scottish Borders Health and Social Care Integration Joint Board using the same systematic approach as part of their respective business or strategic planning processes:
- 4.7.1 SB Cares has a strategic risk register which is regularly reviewed by the Senior Management Team and presented to their Board every quarter. The risk register was most recently presented to the SB Cares Board on 23 April 2018.
 - 4.7.2 Live Borders are subject to a contractual obligation to the Council to have proper risk management processes in place. After the new Trust was formed Live Borders were undertaking this internally but they have recently requested that the Council's Corporate Risk Officer facilitates risk workshops to identify Directorate-level Risk Registers and the review of the Strategic Risk Register. Three directorate workshops have now taken place and draft Risk Registers are with Live Borders Management for approval. The Strategic Risk Register was reviewed on 27 April 2018.
 - 4.7.3 The Corporate Risk Officer is currently working with the Chief Officer of the Scottish Borders Health and Social Care Integration Joint Board (IJB) and Senior Managers to refresh the IJB Strategic Risk Register in line with the strategic aims of the Board.
 - 4.7.4 A Risk Register has been developed for the ICT contract with CGI and has been assigned to the Interim Head of IT.

New and Emerging Risks

- 4.8 The General Data Protection Regulation (GDPR) comes into force in May 2018. Risks have been identified and managed on multifarious levels throughout the Council. The Audit and Scrutiny Committee should be assured that strategic Information Governance risks are being appropriately managed Corporately and through the Information Governance Group who own and oversee a strategic risk register. The GDPR project has appropriate governance and risk registers in place and the Council recognises that the new legislation will require support of all Senior Management to ensure that staff undertake the necessary work to ensure compliance for May 2018.

Risk Management Training Programme

- 4.9 The Risk Management training for Managers within the Corporate Training Programme is supported by Senior Management. The Course was reviewed once again in April 2018 to refresh the content and keep it relevant to the dynamic environment faced by SBC. There is an increased focus on risk management within programmes, projects and decision making. 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 plan/programme/project/strategy/decision making; 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.
- 4.10 As of March 2018, there have been 25 training events to date delivered by the Corporate Risk Officer, with 8 events during 2017/18. These have been attended by 182 managers and staff, and positive feedback was received. Training course dates continue to be scheduled in 2018 on a quarterly basis to ensure that all relevant Managers and those involved with delivering programmes and projects undertake this training.

Facilitated Risk Management Workshops, Use of Pentana and Standardisation of Risk Reporting

- 4.11 The Council has a standard risk management process with risk registers at Corporate and Service levels uploaded to Pentana (formerly Covalent), the Council's performance management system. Risk registers have been developed for all Service areas. Risks are formally reviewed with the Risk Owner and the relevant Management Team on a quarterly basis, and Pentana is updated to reflect this. From April 2018 Service Directors will receive a risk management status report on a quarterly basis to ensure appropriate oversight.
- 4.12 Improved Pentana system functionality has provided the opportunity for Service Managers to monitor their Business Plan Actions, Performance Indicators, Risks and Audit Actions through dedicated portals, creating a valuable management information tool that needs to be fully exploited to its best use. All Portals are now set up and include Risk Registers for Directorates or Services.
- 4.13 In addition to the workshops detailed at Section 4.7, facilitated Risk workshops also take place to develop risk registers as requested relating to projects and programmes, and joint working and partnership arrangements. For example:
- Following risk workshops, the GDPR project has a risk register in place to ensure that risks are managed appropriately and escalated to the Information Governance Group for oversight as necessary.

- Refresh of the Social Work Strategic Risk Register to ensure that risks are identified and managed appropriately at this level.
 - Workshops with Children and Young People management to ensure risk registers are managed and reviewed.
- 4.14 As described in the revised Risk Management Policy Statement 2018, the Corporate Risk Officer now comments on the Risk and Mitigations section of Committee reports to ensure that decision makers are cognisant of the risks associated with the proposals/decisions to be taken. This has proved to be very successful with positive feedback from report authors. It also further embeds risk management practice into the Council's decision making methodology.
- 4.15 Risk Management update reporting is now delivered to CMT every quarter since January 2018 following the annual risk review to ensure appropriate oversight and understanding of the corporate risks. This has proved successful with positive feedback and engagement from Service Directors. Risk update reports are now being rolled out to Service Directors on a quarterly basis and presented at Senior Management Team meetings.

Risk Management Roles and Responsibilities

- 4.16 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.
- 4.17 During 2017/18 various Service Directors representing the diverse range of Council services have made presentations to the Audit and Scrutiny 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 the Corporate Risk Management Policy.

Conclusion

- 4.18 The above demonstrates that the management of risks is being embedded and is 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.

5 RISK MANAGEMENT NEXT STEPS 2018/19

- 5.1 The Corporate Risk Officer will continue to support Senior Management to embed a risk management culture into the day to day operation of the Council and its decision making.
- 5.2 Elected Members are encouraged to seek out the Risk and Mitigation section of Committee reports that they are asked to approve. Challenge is welcomed to ensure that the Elected Members are satisfied that the risks to the decisions they are being asked to make are fully considered and mitigated appropriately.

6 IMPLICATIONS

6.1 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.

6.2 Risk and Mitigations

The report sets to assure the Audit and Scrutiny 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 revised Risk Management Policy.

6.3 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.

6.4 Acting Sustainably

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

6.5 Carbon Management

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

6.6 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.

6.7 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.

7 CONSULTATION

- 7.1 The Corporate Management Team, 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**

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Background Papers: Scottish Borders Council's Corporate Risk Management Policy Statement and Corporate Risk Management Strategy

Previous Minute Reference: Audit and Risk Committee 28 March 2017

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.

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