
RISK MANAGEMENT ANNUAL REPORT 2018/19

Report by Chief Officer Audit & Risk

AUDIT AND SCRUTINY COMMITTEE

13 May 2019

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 2018/19.**
- 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 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 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 In 2018, a revised Risk Management Policy statement and a 3-year Risk Management Strategy were endorsed by this Committee and approved by the Council to continue to refine its approach to managing risks with a focus on quality of reporting to enable sufficient Senior Management monitoring and oversight. This is the first annual report on progress to be presented to the Audit and Scrutiny Committee.
- 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 2018/19.

2 RECOMMENDATIONS

- 2.1 I recommend that the Audit and Scrutiny Committee**
 - a) Acknowledges that it is satisfied with the arrangements for managing risks at the Council to ensure their on-going effectiveness in support of the Council's risk management policy and strategy; and**
 - b) Considers whether any further action is required.**

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, June 2018). 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 within 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.
- 3.3 Management continue to be advised and supported by corporate support resources to fulfil their responsibilities for managing risk. The Risk Management support team schedule and facilitate risk reviews with Senior Managers / Risk Owners using established guidelines, toolkits and practices, and maintain 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.
- 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 risk to the achievement of the Council's objectives.
- 3.5 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.
- 3.6 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.
- 3.7 In 2018, a revised Risk Management Policy statement and a 3-year Risk Management Strategy were endorsed by this Committee and approved by the Council. Refinements to the Council's approach to managing risks include a focus on ensuring that risk management reporting is of a high quality so that decisions can be taken with full clarity of the risks involved. Quality reporting will also ensure sufficient monitoring and oversight is provided by Senior Management to allow them to fulfil their risk management role, as detailed in the Risk Management Policy 2018.
- 3.8 The other key change in focus for the Risk Management Strategy 2018, which sets out the arrangements for applying the risk management policy in practice, is to ensure that those contracted to deliver services on behalf of the Council and through partnership arrangements have robust risk management framework in place. It is essential that the Council recognises that outsourcing services through contracts and commissioned services does not remove the statutory obligation and therefore the consequences of any failure of these arrangements.

4 RISK MANAGEMENT ACTIVITY 2018/19

- 4.1 The Council has a standard risk management process with risk registers at Corporate and Service levels uploaded to Pentana, 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 system is updated to reflect this. The Corporate Risk Officer (to November 2018) / the Risk Management support team (from February 2019) advised and supported Management to fulfil their responsibilities for managing risk. Staffing changes briefly resulted in a backlog of Corporate and Service risk register reviews due to a lack of capacity, however this has now been addressed.
- 4.2 In addition to the Corporate and Service risk reviews detailed above, facilitated Risk workshops have also taken place to develop risk registers as requested relating to projects and programmes, and joint working and partnership arrangements. For example, Tweedbank Programme Board and Older Peoples Strategy.
- 4.3 During 2018/19 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 respective 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 Risk Management Policy.
- 4.4 Liaison with Internal Audit on an on-going basis to ensure that risk is considered in every assurance audit and risk reviews take account of improvements arising from audit work continues to take place.
- 4.5 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. Activity will continue to look at ways in which digital solutions can be used to achieve this, including further developing the use of Portals in Pentana system.
- 4.6 The Council recognises 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 CMT agreed to establish an officer Contract Management Framework Working Group to devise a Contract Management Framework, as previously recommended by Internal Audit to enhance contract monitoring and review systems. The Group met monthly from March 2018 and the Corporate Risk Officer led one of the eight workstreams to develop a contract risk assessment process as part of the Contract Management Framework.
- 4.7 Risk management advisory and support services were 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.

- 4.8 The Corporate Risk Officer (to November 2018) commented on the Risk and Mitigations section of Committee reports, a new role described in the revised Risk Management Policy 2018, 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. The Chief Officer Audit & Risk is a mandatory consultee for all Committee reports which provides the opportunity to check that full risk information is provided.
- 4.9 The Corporate Risk Officer once again reviewed the Risk Management training course for Managers in April 2018 to refresh the content and keep it relevant to the dynamic environment faced by the Council, and delivered two training events during 2018/19, one in June and one in September 2018, attended by 18 delegates in total. There was 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 Risk Management Guidelines, Templates and Prompt Lists were updated during 2018, to ensure their continued relevant and effectiveness, and published on the Intranet for Managers to use.

Conclusion

- 4.11 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 2019/20

- 5.1 Refinements will continue on the most effective way for Managers to undertake risk management activity in future, building on the foundation of existing risk management arrangements and adding value by aligning risk management to the business planning and performance management processes. The Risk Management support team 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 and Risk Owners to fulfil their role to systematically identify, analyse, evaluate, control and monitor risks to deliver the Risk Management Strategy and apply Risk Management policy in practice.
- 5.2 Whilst the Corporate risk register and all Service risk registers held in Pentana system are reviewed on a quarterly basis, there is still a gap in linking them to the business plans and the business planning process. If a risk is to be treated further, then mitigating actions should be identified and 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. This will require ongoing engagement with Risk Owners.

- 5.3 Risk Management update reports will be developed using the Pentana system and rolled out to ensure appropriate oversight and understanding of the Corporate and Service risks by CMT and Service Directors / Managers on at least a quarterly basis.
- 5.4 The options for the delivery of the corporate Risk Management training courses will be evaluated as will appropriate training on the Pentana system to support Risk Owners to self-serve. Training will be provided in 2019 on a regular basis to ensure that all relevant Risk Owners have the skills and competency to fulfil their roles.
- 5.5 Reviews of the Council's Risk Management Policy and Strategy will be carried out to check if any updates are required arising from staff changes or refinements in the approach. Any significant changes will be brought to the Audit and Scrutiny Committee for approval.
- 5.6 Elected Members are encouraged to seek out the Risk and Mitigations 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. The corporate staff resource costs involved 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.

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 has been consulted on this report and any comments received have been incorporated in the final report.
- 7.2 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Service Director HR, the Clerk to the Council and the Communications team have been consulted on this report and any comments received have been incorporated in the final 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 Scrutiny Committee 14 May 2018

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

Contact us at Rachel Wigmore, rwigmore@scotborders.gov.uk