
RISK MANAGEMENT ANNUAL REPORT 2019/20

Report by Chief Officer Audit & Risk

AUDIT AND SCRUTINY COMMITTEE

23 June 2020

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 2019/20.**
- 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.
- 1.5 This annual report shows that the Council continues to refine its approach to Risk Management and embed these key aspects into the management practices of the Council, and outlines progress made during 2019/20 in delivering the Risk Management Strategy to achieve Policy objectives.

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 the Corporate Risk Officer to fulfil their responsibilities for managing risk. The Corporate Risk Officer schedules and facilitates risk reviews with Senior Managers / Risk Owners using established guidelines, toolkits and practices, 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.
- 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 2019/20

- 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 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 Risk Management support team (from February to September 2019) and the Corporate Risk Officer (from September 2019 onwards) advised and supported Management to fulfil their responsibilities for managing risk.
- 4.2 In addition to the Corporate and Service risk reviews detailed above, facilitated Risk workshops have also taken place to develop risk registers relating to projects and programmes for example, the new Roads Review. Facilitated risk reviews continue to take place for the Tweedbank Programme Board.
- 4.3 During 2019/20 various Executive/Service Directors representing the diverse range of Council services 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 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. The style and content of the presentations changed from February 2020, following a request from the Chair of the Committee for the presentations to be more focused on how individual risks are managed and controlled. This new approach has proven to be successful, with Members providing positive feedback following presentations by the Executive Director Finance & Regulatory in February 2020 and the Chief Social Work and Public Protection Officer in March 2020.
- 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. The Corporate Risk Officer receives all Final Internal Audit Reports.
- 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 at Directorate Management Teams.
- 4.6 Risk management advisory and support services were provided to 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. As SB Cares reintegrated to the Council from 1 December 2019, it follows the usual risk management arrangements as per other Council Services.
- 4.7 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. On return to the Council from September 2019 the Corporate Risk Officer has continued to comment on the Risk and Mitigations section of Committee reports, as 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. New guidance is to be added to the Committee Reports Guidance document shortly to ensure that the Risk and Mitigations section is completed correctly and with sufficient detail.

- 4.8 Following the period where Managers were self-serving and reviewing risks registers without specialist facilitation from the Corporate Risk Officer, it was agreed that the Risk Management Framework would be reviewed as part of a wider Risk Management Health Check. This would allow a thorough review of the current risk management arrangements for efficacy and to assess how well embedded these arrangements are within the Council and partner organisations who follow the Council's Corporate Risk Management Framework. This work was initiated with a Risk Management Health Check questionnaire, which was distributed through Citizen Space, for all Risk Owners to complete. The results of the questionnaire are yet to be analysed, as the coronavirus outbreak occurred shortly after the questionnaire closed. It is hoped that this analysis can take place within the next few months to determine any areas of improvement.
- 4.9 Following the outbreak of the coronavirus Covid-19 at the end of 2019 and the gradual spread throughout the world, the Council began to proactively anticipate and identify risks to its essential services. Plans and mitigations were agreed and put in place so that when lockdown occurred on 23 March 2020 the Council continued to support the most vulnerable individuals and businesses within its communities. As Scotland and the Council moves into the next stage of the pandemic, risks will continue to be identified and managed to ensure that Services continue to be delivered in the safest way possible for all stakeholders.

Conclusion

- 4.10 The above demonstrates that the management of risks is being embedded and is recognised as an essential part of management practice, which is the key objective of the Corporate Risk Management Policy. It is an essential part of decision making and should help to ensure that decisions are taken and risks are fully understood.

5 RISK MANAGEMENT NEXT STEPS 2020/21

- 5.1 It is the intention to review the Risk Management training course which was last reviewed in 2018. Given the exceptional circumstances as a consequence of the Coronavirus pandemic, the training may be delivered through an online platform to ensure that Managers have the skills to continue to identify, monitor and control risks in line with the Corporate Risk Management Policy and Framework.
- 5.2 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 so Managers have an overview of all KPI's, actions and risks in one place. In addition, oversight monitoring by Senior Management (DMTs) should be undertaken to apply the Risk Management Policy in practice.
- 5.3 New Risk Management reports, generated in Pentana system, have been developed to improve the quality of reporting. These reports form the basis of Risk Management presentations to the Audit and Scrutiny Committee and provide a dashboard summary of individual risks and how they are managed. Improved reporting to Senior Management will be developed following the analysis of the responses from the Risk Management Health Check questionnaire.

- 5.4 Formal risk reviews, facilitated by the Corporate Risk Officer, on a quarterly basis will take into account any new risks arising from Covid-19 response, lessons learned and changes to service delivery.
- 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 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 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.

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 Corporate Risk Management Policy.

6.3 Integrated Impact Assessment

This is a routine good governance report for assurance purposes, not a new or revised policy or strategy for decision and, as a result, completion of an integrated impact assessment is not an applicable consideration.

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 Executive Director Finance & Regulatory, Chief Legal Officer (Monitoring Officer), Service Director HR & Communications, Clerk to the Council, and 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

Author(s)

| Name | Designation and Contact Number |
|---------------|--|
| Jill Stacey | Chief Officer Audit & Risk Tel 01835 825036 |
| Justine Leuty | Corporate Risk Officer Tel 01835 824000 Ext 8058 |

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

Previous Minute Reference: Audit and Scrutiny Committee 13 May 2019

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

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