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## **RISK MANAGEMENT ANNUAL REPORT 2020/21**

**Report by Chief Officer Audit & Risk**

### **AUDIT AND SCRUTINY COMMITTEE**

**10 May 2021**

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#### **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 2020/21.**
- 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 2020/21 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 as stated 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 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 Pentana, the Council's performance management system.
- 3.3 The Risk Management Policy states that risk registers should be reviewed on a quarterly basis to ensure effective monitoring of current risks and mitigating actions. 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 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.

### **4 RISK MANAGEMENT ACTIVITY 2020/21**

- 4.1 The planned risk management activity supported by the Corporate Risk Officer was adversely affected during the year due to the ongoing response to the Covid-19 pandemic, with quarterly risk reviews suspended. Most notably the Corporate Risk Officer was deployed since the end of March 2020 to support Management to proactively anticipate and identify risks to delivery of its essential services. Plans and mitigations were agreed and put in place in the response and recovery phases during 2020 so that the Council continued to support the most vulnerable individuals and businesses within its communities and to ensure that services continued to be delivered in the safest way possible for all stakeholders.
- 4.2 Temporary part-time business support resources were secured in August 2020 when the Corporate Risk Officer post became vacant. The initial focus was on the review and update of the Corporate Risk Register, which was presented to CMT in October 2020. Recruitment to the Corporate Risk Officer post on a full-time basis in December 2020 enabled the resumption of further risk review activity, with the initial priority on the programme of work being to catch-up on the backlog of Service risk register reviews. An update of the Corporate Risk Register was presented to CMT in March 2021 along with a status update on Service risk register reviews, indicating that 32 of 40 Service Risk Registers have been reviewed.

- 4.3 The learning from Directors' and Managers' involvement in the response and recovery phases has been referenced within Corporate and Service Risk Registers, where relevant. Specifically, in terms of the influence the Covid-19 pandemic has had on these risks, whether this has resulted in opportunities, or more frequently, threats, and the new controls introduced or further mitigation actions planned.
- 4.4 In addition to the Corporate and Service Risk Register reviews detailed above, the Corporate Risk Officer facilitated risk workshops on request by Management to develop 7 new Risk Registers relating to programmes which are reflective of the ever-changing responsibilities, partnerships, projects and legislative dimensions to which the Council is exposed; for example, Borderlands, Elections, Fit for 2024 Programme, and Sustainable Development. 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, and are more iterative in nature thus reflecting the design and implementation stages of these complex programmes.
- 4.5 New reports, generated from the Pentana system, have been developed to improve the quality of risk reporting. These reports form the basis of Risk Management presentations to the Audit and Scrutiny Committee and provide a dashboard summary of risks and how they are managed.
- 4.6 During 2020/21 various Executive/Service Directors representing the diverse range of Council Services made presentations to the Audit and Scrutiny Committee at 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 requirements. 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 each of the presentations, which were delivered as listed below:

<b>Director</b>	<b>Date of Meeting</b>
Executive Director Finance & Regulatory	February 2020
Chief Social Work and Public Protection Officer	March 2020
Service Director Customer & Communities	September 2020
Executive Director Corporate Improvement & Economy	November 2020
Service Director HR & Communications	February 2021
Service Director Young People, Engagement and Inclusion	March 2021
Service Director Assets & Infrastructure	May 2021

- 4.7 Risk management advisory and support services were provided by the Corporate Risk Officer 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.
- 4.8 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.
- 4.9 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. Due to resource capacity and sometimes time pressures this is carried out on a sample basis. New guidance was added to the Committee Reports Guidance document to enable report writers to complete the Risk and Mitigations section correctly with reference to relevant risk registers and with sufficient detail to ensure that decision makers are cognisant of the risks associated with the proposals/decisions to be taken.

### **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 2021/22**

- 5.1 The Risk Review Programme of Work for the Corporate Risk Officer in 2021/22 is being developed on a quarterly rolling basis to incorporate the cycle of Corporate Risk Register reviews, relevant Service Risk Register reviews, and development of New Risk Registers in collaboration with Management. The risk review approach will initially focus on the remaining 8 Service Risk Registers concurrent with the development of service plans, as an opportunity to amalgamate/integrate risks and risks registers, to ensure they reflect objectives, plans and current management structures.
- 5.2 The implementation of improvements arising from the Risk Management Health Check that was carried out in early 2020, will resume. This was designed as a thorough review of the current risk management framework to assess its efficacy and how well embedded these arrangements are within the Council and partner organisations. The results of the Risk Management Health Check questionnaire, which was distributed through Citizen Space for all Risk Owners to complete, will be analysed, areas of improvement will be identified, and actions will be implemented.
- 5.3 Reviews of the Council's Risk Management Policy and Strategy will be carried out taking account of findings from the Risk Management Health Check 2020 and from the Internal Audit review of the risk management framework, which is scheduled in the first quarter of 2021/22. Any changes to reflect refinements in the approach will be brought to the Audit and Scrutiny Committee for endorsement prior to approval by Council.
- 5.4 It is the intention to review the Risk Management training course for Managers, which was last reviewed in 2018. The training will be delivered through eLearning and MS Teams to ensure that Managers have the skills to continue to identify, evaluate, monitor and control risks in line with the Corporate Risk Management Policy and Framework.

- 5.5 Risk Management training for Elected Members will be scheduled to ensure they have an overview of the risk management framework that is applied within the Council. 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 appropriately mitigated.
- 5.6 Improved Pentana system functionality has provided the opportunity for Service Managers to monitor their Service Plan Actions, Performance Indicators, Risks and Audit Actions through dedicated portals, creating a valuable management information tool that needs to be fully exploited. The reintroduction of Service Plans across the Council and the planned refresh of the Performance Management Framework provides an opportunity to enable the integration of Risk Management and Internal Audit assurance within the business planning and performance monitoring processes in support of the Council demonstrating continuous improvement.

## **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 This report has been presented to the Corporate Management Team 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.

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
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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 23 June 2020

**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.

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