
RISK MANAGEMENT POLICY AND STRATEGY 2021-2024

Report by Chief Officer Audit and Risk

AUDIT AND SCRUTINY COMMITTEE

22 November 2021

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to present to members of the Audit and Scrutiny Committee a revised Risk Management Policy statement and Risk Management Strategy for consideration and endorsement in advance of their presentation to Council for approval.**
- 1.2 Effective Risk Management is one of the foundations of effective governance and is recognised in the Council's Local Code of Corporate Governance. Compliance with the principles of sound Corporate Governance requires the Council to adopt a coherent and systematic 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 A revised Risk Management Policy statement (Appendix 1) and 3-year Risk Management Strategy (Appendix 2) are included for consideration and endorsement by the Audit and Scrutiny Committee in advance of their presentation to Council for approval. This will enable the Council 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 Scrutiny Committee:**
 - a) Considers the revised Risk Management Policy Statement (Appendix 1) and Risk Management Strategy (Appendix 2) and endorses them for full Council approval;**
 - b) Acknowledges the role and responsibilities of the Audit and Scrutiny Committee in the Risk Management Policy; and**
 - c) Notes the reporting for assurance purposes on efficacy of Risk Management arrangements in the Risk Management Policy.**

3 BACKGROUND

- 3.1 Effective Risk Management is one of the foundations of effective 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 and systematic approach to the management of the risks that it faces every day. 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. Management continue to be supported by the Corporate Risk Officer to apply the risk management process. Risk registers at Corporate and Service levels are recorded in Pentana, the Council's performance management system.
- 3.3 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.
- 3.4 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.

4 RISK MANAGEMENT POLICY STATEMENT

- 4.1 The Council's Risk Management Policy Statement at Appendix 1 outlines the key objectives and states the roles and responsibilities in managing risks. Management have the primary responsibility to systematically identify, analyse, evaluate, control, record and monitor risks.
- 4.2 The Council's Risk Management Policy has been reviewed and refreshed to reflect the Risk Management developments that have been introduced during the last 3 years and improvements identified during the Risk Management Health Check that was carried out in early 2020 and the Internal Audit review that was completed in May 2021.
- 4.3 The main changes in the Council's Risk Management Policy Statement can be summarised as follows:
- Re-ordering one section to ensure its prominence to reflect its importance (Roles and Responsibilities section);
 - Integration of two sections, Risk Appetite and Capacity and Risk Tolerance and Thresholds, to avoid duplication and incorporate clarity on active management and mitigation (Risk Appetite, Capacity and Tolerance section);
 - Additional information to provide clarity of de-escalation arrangements, and removal of specific detail on levels of escalation, delegation and de-escalation which will be included in the Risk Management Process Guide for managers (Procedure for Escalation, Delegation and De-Escalation section);

- Inclusion of the frequency of risk review proportionate to the risk rating (Risk Management Process section);
- Additional information to provide clarity of reporting to ensure fulfilment of roles and responsibilities set within the Policy and specify the content of the annual report to ensure it reflects the wider aspects of the Council's Risk Management framework for assurance purposes i.e. addition of an overview of Risk Management activity during the year and oversight of the Corporate Risk Register (Reporting for Assurance Purposes section); and
- Integration of two sections, Quality Assurance and Review, to avoid duplication and incorporate the sources of assurance and lessons learned in the review process (Monitoring and Review section).

5 RISK MANAGEMENT STRATEGY

- 5.1 The Risk Management Strategy at Appendix 2 outlines the approach that will be adopted within Scottish Borders Council to systematically identify, analyse, evaluate, control, record and monitor risks, in support of the Risk Management Policy Statement.
- 5.2 The Council's Risk Management Strategy is based upon the national standard Management of Risk (M o R). The strategy is underpinned by:
- A clear and widely understood structure to secure implementation
 - A commitment to achievement
 - Appropriate training arrangements
 - Regular monitoring and reporting arrangements
- 5.3 The Council's Risk Management Strategy has been reviewed and refreshed to reflect the Risk Management developments that have been introduced during the last 3 years and improvements identified during the Risk Management Healthcheck that was carried out in early 2020 and the Internal Audit review that was completed in May 2021.
- 5.4 The main changes in the Council's Risk Management Strategy can be summarised as follows:
- Inclusion of the change in focus of the revised Risk Management Strategy arising from the Risk Management Healthcheck 2020 and the Internal Audit review 2021 (Introduction section);
 - Amendment from 3 Risk Management levels (Corporate, Directorate, Operational) to 2 levels (Corporate and Service) to ensure that Risk Registers are aligned to the business planning and performance management process (Management Arrangements section);
 - Inclusion of references to risk escalation, delegation and de-escalation activity, the approach to managing risk within the Council's risk appetite, tolerance and capacity, the frequency of risk review, and the support to Management provided by the Corporate Risk Officer to provide greater clarity and consistency in the process and to reflect roles and responsibilities (Management Arrangements section);
 - Amendments to the arrangements for the provision of Risk Management training to Service Managers to reflect the new ways of working and the support to Management provided by the Corporate Risk Officer (Training and Awareness section); and
 - Inclusion of the use of a risk maturity model as part of the annual assessment to check the efficacy of the Council's risk management arrangements and to facilitate continuous improvement (Monitoring and Review section).

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

Roles and responsibilities for managing risks within the Council are set out in the Risk Management Policy Statement. Management have the primary responsibility to systematically identify, analyse, evaluate, control, record and monitor risks. Monitoring of the application of the risk management framework across the Council is carried out by the Corporate Management Team, facilitated by the Corporate Risk Officer within the Audit & Risk service. Elected Member oversight is provided by the Audit and Scrutiny Committee.

The Risk Management Policy and Strategy reflect the Council's integrated approach to the management of risks and the independent assurance on its efficacy provided by Internal Audit.

6.3 Integrated Impact Assessment

There is no relevance to Equality Duty or the Fairer Scotland Duty for this report, based on the completion of the Integrated Impact Assessment (IIA); a full IIA is not required. This revised Risk Management Policy statement and 3-year Risk Management Strategy will enable the Council to continue to refine its approach to managing risks, with a focus on aligning Risk Management to the business planning and performance management process and ensuring that those contracted to deliver services on behalf of the Council and through partnership arrangements have robust risk management framework in place.

6.4 Sustainable Development Goals

The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals, based on completion of the checklist. However, the application of practices associated with the Council's Risk Management Policy and Strategy is fundamental to the achievement of the Council's objectives, including its sustainable development goals.

6.5 Climate Change

This report does not relate to any proposal, plan or project and as a result the checklist on Climate Change is not an applicable consideration.

6.6 Rural Proofing

The revised Risk Management Policy and Strategy is unlikely to have a different impact in rural areas, based on completion of the checklist.

6.7 Data Protection Impact Statement

All Risk Management activity will be carried out in accordance with appropriate legislation; this includes the Data Protection Act 2018.

6.8 Changes to Scheme of Administration or Scheme of Delegation

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

7 CONSULTATION

- 7.1 The Corporate Management Team, which plays a key leadership role in establishing Risk Management behaviours within the organisation, its partners, suppliers and customers, has been consulted on this report and appendices (policy and strategy) and any comments received have been taken into account.
- 7.2 The Director - Finance & Corporate Governance, Chief Legal Officer (and Monitoring Officer), Director – People Performance and Change, Clerk to the Council, and Communications team have been consulted on this report and any comments received have been taken into account.

Approved by

Jill Stacey, Chief Officer Audit and Risk Signature

Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit and Risk Tel 01835 825036
Emily Elder	Corporate Risk Officer

Background Papers: Appropriate Risk Management files

Previous Minute Reference: Audit and Scrutiny Committee 10 May 2021

Note – You can get this document on tape, in Braille, large print and various computer formats by using the contact details below. Information on other language translations can also be given as well as provision of additional copies.

Contact us at Emily.Elder@scotborders.gov.uk