
RISK MANAGEMENT ANNUAL REPORT 2021/22

Report by Chief Officer Audit & Risk

AUDIT AND SCRUTINY COMMITTEE

27 June 2022

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 2021/22 for assurance purposes.**
- 1.2 Effective Risk Management is one of the foundations of effective Corporate Governance as 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 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 2021, a revised Risk Management Policy statement and a 3-year Risk Management Strategy were endorsed by this Committee and approved by the Council to enable the Council to refine its approach to managing risks and embed these key aspects into the management practices of the Council. Risk Management activity during the year, in line with the Policy and Strategy, is outlined in this annual report.

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 in support of the Council's Risk Management Policy and Strategy; and**
 - b) Notes the content of the Corporate Risk Register as at Quarter 4 2021/22 review and the refresh that is underway.**

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 revised Risk Management Strategy 2021-2024 states that risk registers should be reviewed on a proportionate basis to ensure effective monitoring of current risks and mitigating actions. As such Corporate and Red risks should be reviewed at least quarterly, Amber risks bi-annually and Green risks at least annually. 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 risks 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 2021/22

- 4.1 Learnings from the Risk Management Health Check 2020 and recommendations from the Risk Management Internal Audit Report 2021 were used to inform the review and revision of the Risk Management Policy and Strategy 2021-24. This was presented to and approved by Council in December 2021. Among other elements the revised Policy and Strategy 2021-24 now includes greater detail on risk escalation/de-escalation procedures as well as risk appetite, tolerance and capacity. To support the effective application of the revised Policy and Strategy 2021-24 the Risk Management Process Guide for managers has been substantially expanded and strengthened to provide additional support and direction for risk managers. Furthermore, work has been undertaken to develop an Appetite, Capacity and Tolerance Toolkit to provide additional guidance and clarity on acceptable levels of risk in relation to different risk categories and highlight

where additional mitigations or escalation may be required. These supporting documents have been further enhanced by knowledge gained from the Corporate Risk Officer's attendance at a two day Enterprise Risk Management Course in February 2022.

- 4.2 It was noted in the 2020/21 Risk Management Annual Report that 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. During 2021/22 significant progress has been made to catch-up on the backlog of facilitated risk review activity and to re-establish the required frequency of reviews, as set out in the Risk Management Strategy 2021-24. As of May 2022, Corporate Risks have consistently received quarterly risk reviews, facilitated by the Corporate Risk Officer and a summary of these have been presented to the Strategic Leadership Team (SLT) on a quarterly basis (Please see Appendix One – Corporate Risk Register as at Quarter 4 2021/22). Furthermore, all Service Risk Registers have received facilitated risk reviews from the Corporate Risk Officer at least once during 2021/22 with most having received more than one review. An update on service risk review activity is also presented to SLT on a quarterly basis in the form of a risk tree which details the risk review date and the Red, Amber, Green (RAG) status of each service risk register, helping to enable greater SLT oversight of risk management activity.
- 4.3 In addition to the Corporate and Service Risk Register reviews detailed above, the Corporate Risk Officer has continued to facilitate risk workshops and development sessions for several new risk registers on request by Management. These new risk registers relate 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, the Fit for 2024 Programme, and Galashiels and Peebles High Schools. 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. As well as being directly involved in the development of new risk registers the Corporate Risk Officer has provided guidance and advice to programme Managers to indirectly support them to develop additional risk registers and has provided feedback and scrutiny to ensure the effective application of the Risk Management Policy and Strategy 2021-24 as they are developed.
- 4.4 Learnings and implications from both the UK's exit from the EU and the Covid-19 pandemic have been reflected in Corporate, Service and Programme Risk Registers and internal controls and mitigating actions developed and implemented where possible. The EU Exit Risk Register continues to receive quarterly reviews and significant efforts have been made during 2021/22 to engage with managers from across the Council and reflect, where relevant, service related EU exit risks on Service Risk Registers with a view to ensuring that these risks are monitored and managed by those best placed to do so.

- 4.5 Starting in 2020/21 and concluding in 2021/22 various 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:

Director	Date of Meeting
Director Finance & Corporate Governance	February 2020
Director Social Work and Practice	March 2020
Director Resilient Communities	September 2020
Executive Director Corporate Improvement & Economy	November 2020
Director People, Performance and Change	February 2021
Director Education and Lifelong Learning	March 2021
Director Infrastructure and Environment	September 2021

- 4.6 To reflect the Council's contribution of corporate support resources to partnership working, 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.
- 4.7 Risk Management refresh training for Elected Members of the Audit and Scrutiny Committee took place in June 2021 to provide an overview of the risk management framework that is applied within the Council. This covered a range of topic areas such as: the anatomy of a risk, the risk management landscape, relevant sections of the Local Code of Corporate Governance and the risk management role of the Audit and Scrutiny Committee (Audit function) while drawing on practical examples from the Corporate Risk Register.
- 4.8 As part of Commercial Awareness Week in November 2021 the Chief Officer Audit and Risk and the Corporate Risk Officer developed and delivered a pre-recorded video presentation on Risk Management, Fraud, Bribery and Corruption entitled "What do we need to be aware of when working with

suppliers?." This was undertaken as part of a wider initiative to raise staff awareness and increase knowledge of supplier, commissioned services and contract management. Similar to the refresher training provided to Elected Members in June 2021 the presentation covered the fundamentals of risk management in addition to focusing on specific considerations of which managers should be aware when dealing with contracted or commissioned suppliers / services.

- 4.9 Regular engagement with senior managers continues to be undertaken with the Chief Officer Audit and Risk attending service management team meetings to provide updates on risk management activity and, where relevant, to encourage input to enhance the development of key risk management documents, such as the case in 2021 with the Risk Management Process Guide and the Appetite, Capacity and Tolerance Toolkit. This has also served to achieve another of the recommendations set out in the Risk Management Internal Audit Report 2021.
- 4.10 The Chief Officer Audit and Risk and the Corporate Risk Officer joined two professional risk management bodies during 2021/22, as corporate member for the Council: the Institute of Risk Management (IRM) and the Association of Local Authority Risk Managers (ALARM). Membership allows access to a wide range of resources, seminars and information on best practice as it is developed, knowledge from which can be used to strengthen the Council's approach to and implementation of effective risk management processes and practices.
- 4.11 Liaison continues 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. The Corporate Risk Officer receives all final Internal Audit Reports.
- 4.12 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. During 2021/22 the Corporate Risk Officer has provided feedback to several Report Authors on the Risk and Mitigations section of Committee Reports to aid them in strengthening their underlying message, to highlight mitigating actions that are being pursued or new risks that have emerged, to support Members in their decision making process.

Conclusion

- 4.13 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 and Strategy 2021-2024. It is an essential part of decision-making and should help to ensure that decisions are taken with a comprehensive understanding of the any associated risks.

5 RISK MANAGEMENT NEXT STEPS 2022/23

- 5.1 The Risk Review Programme of Work for the Corporate Risk Officer in 2022/23 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.
- 5.2 Efforts will continue to be made to align the corporate risk management process with both the business planning and performance management processes. However, any delay to the latter will affect the former and the business planning and performance management processes are not yet fully integrated and aligned with the risk management cycle. Once in place management will have access to a very valuable management tool for planning, monitoring, reporting and assurance.
- 5.3 The implementation of improvements arising from Risk Management Internal Audit Report 2021 will continue to be progressed. While the recommendations have been achieved, notably the review of the Risk Management Policy and Strategy 2021-24, focus during 2022/23 will turn to the completion of the Risk Appetite, Tolerance and Capacity Toolkit prior to being circulated for consultation and feedback. This will then be presented to the SLT for approval. In addition, the Risk Management Training Pack for managers will be updated to reflect the revised Risk Management Policy, Strategy and Process Guide along with the new guidance contained within the Appetite, Tolerance and Capacity Toolkit. This will be delivered through e-Learning and MS Teams to ensure that Managers have the skills to continue to identify, evaluate, monitor and control risks in line with the revised Corporate Risk Management Framework.
- 5.4 The new Council Plan 2022-23 (approved by Council in February 2022) has presented an opportunity to revisit the Corporate Risk Register with a view to streamlining it to more clearly reflect and support the objectives detailed within the Council Plan. Doing so will also ensure more effective and consistent application of the Risk Management Framework which states that risks to achieving corporate objectives will be systematically identified, assessed, evaluated, controlled and monitored. As there are currently 30 risks on the Corporate Risk Register this will also provide an additional benefit by reducing the number of risks Directors spend time reviewing each quarter. A development session with SLT will be organised to progress this work during the summer of 2022 to support engagement with the process and maintain a shared sense of ownership and decision taking. The intention is that those risks which do not have such clear links to supporting the achievement of objectives set out in the Council Plan 2022-23 will be de-escalated to a strategic service level, in line with the de-escalation process detailed in the Risk Management Policy and Process Guide. While these risks may not necessarily be corporate in nature, they are strategically significant and enhanced reporting arrangements will be developed to capture these and other strategic service risks which will be presented to SLT on a regular basis. This will aid in ensuring a greater level of oversight and awareness of those risks and support more effective decision taking.

- 5.5 Risk Management induction training of the members of the Audit and Scrutiny Committee (related to its Audit functions) will be arranged to ensure they have an overview of the risk management framework that is applied within the Council. Elected Members are again encouraged to seek out the Risk and Mitigations section of Committee reports that they are asked to approve. Appropriate challenge is welcomed to ensure that the Elected Members are satisfied that the risks to the decisions they are being asked to take are fully considered and appropriately mitigated.

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

There is no relevance to Equality Duty or the Fairer Scotland Duty for this report. An Integrated Impact Assessment (IIA) was completed as part of the revised Risk Management Policy statement and Risk Management Strategy 2021-2024, approved by Council on 16 December 2021. This is a routine good governance report for assurance purposes.

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 as part of the revised Risk Management Policy statement and Risk Management Strategy 2021-2024, approved by Council on 16 December 2021. Good governance including the managing risks is important to enable Scottish Borders Council to achieve its objectives, including those supporting sustainable development.

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

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 Data Protection Impact Statement

There are no personal data implications arising from the content of this report.

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 This report has been presented to the Strategic Leadership 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 Director - Finance & Corporate Governance, Chief Legal Officer (and Monitoring Officer), Director – People Performance & 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)

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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 10 May 2021

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.

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