

---

## **RISK APPETITE TOOLKIT FOR MANAGERS**

**Report by Chief Officer Audit & Risk**

---

### **AUDIT COMMITTEE**

**12 December 2022**

---

#### **1 PURPOSE AND SUMMARY**

- 1.1 The purpose of this report is to provide Members with the Risk Appetite Toolkit for Managers that has been developed.**
- 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. One of the Audit Committee's functions is to scrutinise the framework of internal financial control, risk management and governance throughout the Council to ensure its adequacy.
- 1.1 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. A Risk Appetite Toolkit for Managers has been developed (Appendix 1). The Toolkit provides additional guidance to Management by defining acceptable levels of risk in relation to different risk categories and builds on guidance set out in the Risk Management Process Guide.

#### **2 RECOMMENDATIONS**

- 2.1 **I recommend that the Audit Committee:**
  - a) Acknowledges the development of the Risk Appetite Toolkit for Managers as an enhancement in support of implementing the Council's Risk Management Policy and Strategy; and**
  - b) Notes that the Risk Appetite Toolkit is being applied by Management, following its approval by SLT on 19 October 2022.**

### **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 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.
- 3.3 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 Chief Officer Audit & Risk and the Corporate Risk Officer to apply the risk management practices.
- 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 One of the Audit Committee's functions is to scrutinise the framework of internal financial control, risk management and governance throughout the Council to ensure its adequacy.

### **4 RISK APPETITE, TOLERANCE AND CAPACITY TOOLKIT FOR MANAGERS**

- 4.1 The quantification of the Council's risk appetite, tolerance and capacity to provide greater clarity and consistency was an enhancement set out in the revised Risk Management Policy and Strategy 2021-24.
- 4.2 During the first two quarters of 2022/23, work has been undertaken by the Chief Officer Audit & Risk and the Corporate Risk Officer to finalise the Risk Appetite, Capacity and Tolerance Toolkit for use by Management across the Council (Appendix 1). The Toolkit: will help to meet the recommendations set out in the Risk Management Internal Audit Report 2021; will support a consistent approach to managing risks and the prioritisation of subsequent activities, provide guidance to Managers; and will facilitate additional risk reporting to the Strategic Leadership Team (SLT).
- 4.3 The Risk Appetite, Capacity and Tolerance Toolkit provides additional guidance to Management by defining acceptable levels of risk in relation to different risk categories and builds on guidance set out in the Risk Management Process Guide.

## **5 IMPLICATIONS**

### **5.1 Financial**

There are no financial implications as a direct result of the report. The corporate risk staff 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.

### **5.2 Risk and Mitigations**

The report sets to assure the Audit Committee that the Council is undertaking its risk management responsibilities adequately. Oversight of the risk toolkits being used by Management allows the Committee to fulfil their remit as set out in the Corporate Risk Management Policy.

### **5.3 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.

### **5.4 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.

### **5.5 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.

### **5.6 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.

### **5.7 Data Protection Impact Statement**

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

### **5.8 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.

## **6 CONSULTATION**

- 6.1 The Risk Appetite Toolkit for Managers was approved on 19 October 2022 by the Strategic Leadership Team (SLT), 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.

6.2 The Acting Chief Financial Officer, 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)**

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit & Risk
Emily Elder	Corporate Risk Officer

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

**Previous Minute Reference:** Audit Committee 27 June 2022

**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](mailto:Emily.Elder@scotborders.gov.uk)