

AUDIT COMMITTEE

10 May 2023

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 2022/23 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 Committee’s role is to have oversight of the adequacy and effectiveness of the Council’s Risk Management systems and associated internal control environment.
- 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 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 reviewed at Quarter Four 2022/23.**

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, March 2023). 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 Committee's role is to have oversight of the adequacy and effectiveness of the Council's Risk Management systems and associated internal control environment.

4 RISK MANAGEMENT ACTIVITY 2022/23

- 4.1 Since the previous Annual Report 2021/22 the development of a comprehensive Appetite, Capacity and Tolerance Toolkit (the Toolkit) has been finalised and was approved by the Council Management Team (CMT) on 19 October 2022 before being presented to the Audit Committee for information purposes on 12 December 2022. The Toolkit aims to provide additional guidance and clarity for Managers on acceptable levels of risk as they relate to different risk categories, highlighting where additional mitigations or escalation of risks may be required to ensure that the management of risk is systematic and proportionate. Furthermore, the Toolkit will support a consistent approach to the management of risks across the Council, the prioritisation of subsequent activities and will, in time, enable the development of additional risk reporting to CMT to facilitate

enhanced risk management oversight with the aim of supporting decision making. Finally, the creation of the Toolkit has furthered the achievement of the recommendations set out in the Internal Audit Report on Risk Management in 2021.

- 4.2 In other areas, a Risk Management Overview Presentation was delivered to all Elected Members on 7 September 2022. The presentation highlighted the importance of effective Risk Management and the governance arrangements in place for the management of risk, the Chartered Institute of Internal Auditors Three Lines Model, and had a specific focus on the function of the Audit Committee and the roles of all Elected Members in terms of risk management. It also included a high level overview of processes in place for Management to identify, assess, control, monitor and review the Council's corporate, service, programme and project risks. This presentation was well received with positive feedback provided by the Chair of the Audit Committee. The same Risk Management Overview Presentation was delivered to the two new External Members of the Audit Committee on 27 January 2023.
- 4.3 Following the approval of the new Council Plan 2022/23, by Council on 22 February 2022, a significant amount of work was undertaken during the year to refresh the Corporate Risk Register and map it to the new Council Plan. Research to establish the types of risks that other Scottish Local Authorities held on their Corporate Risk Registers was also undertaken and was used to inform the refresh of the Council's Corporate Risk Register. The outcomes and subsequent recommendations of this piece of work were then presented to and approved by CMT on 19 October 2022. The aim of which was to ensure stronger links between the Council Plan 2022-23 and the management of risks underpinning it while reducing the number of risks on the Corporate Risk Register to a more manageable number. Furthermore, it aimed to put the Risk Management Policy and Process Guide into practice by de-escalating, to a strategic service level, risks that no longer required action, oversight and review at a corporate level, as informed by the strength of internal controls and the current risk scoring of respective risks. Following this exercise the number of risks on the Corporate Risk Register has decreased from 30 to 16 (Refer to Appendix One – Corporate Risk Register as at Quarter 4 2022/23). As well as de-escalating a select number of risks to appropriate service risk registers for ongoing management and review, several of the remaining Corporate Risks were also amalgamated as a result of shared commonalities with caution taken so as to avoid diluting the original and specific elements of these risks.
- 4.4 During 2022/23, Corporate Risks have consistently received quarterly risk reviews, facilitated by the Corporate Risk Officer and a summary of these were presented to CMT on a quarterly basis, in accordance with the Risk Management Strategy 2021-24. The resulting Corporate Risk Register is then presented as part of a quarterly Risk Management Update Report which details wider activity progressed by the Corporate Risk Officer during each quarter and includes, as appropriate, reference to specific activity underway in relation to individual Corporate Risks. These quarterly reports are instrumental in aiding CMT to have effective oversight of the implementation of the Council's Risk Management Framework with a focus on risk mitigation actions in particular those relating to Red risks.

- 4.5 Similarly during 2022/23 the Corporate Risk Officer has facilitated risk reviews for all Service Risk Registers broadly in line with the Risk Management Strategy 2021-24 (Red risks quarterly, Amber risks bi-annually and Green risks at least annually), balancing this with Risk Owner availability and other competing priorities. An update on service risk review activity is also presented to CMT on a quarterly basis in the form of a risk tree which details the date on which risks were last reviewed and the Red, Amber, Green (RAG) status of each, helping to enable greater CMT oversight of risk management activity at an operational level. The Quarter 4 2022/23 quarterly Risk Management Update Report, presented to CMT on 4 April 2023, indicates there were approximately 38 established Service Risks Registers and 10 Programme and Partnership Risk Registers.
- 4.6 The Corporate Risk Officer has continued to facilitate risk workshops and development sessions for several new service, programme and partnership risk registers and to refresh existing ones on request by Management. This work is indicative of the ever-changing responsibilities, partnerships, projects and legislative dimensions to which the Council is exposed and both the threats and opportunities that arise as a result. 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. The Corporate Risk Officer has also provided guidance and advice to Programme Managers to indirectly support them to develop other risk registers, providing feedback and scrutiny to ensure the consistent application of the Risk Management Policy and Strategy 2021-24, as risk registers are being developed.
- 4.7 Another cycle of Director Risk Management Presentations to the Audit Committee commenced in December 2022, following approval by Audit Committee of a proposal at its meeting on 12 September 2022. This proposal cited one of the lessons learned from the A&SC Annual/End of Term Report 2021/22, which was to "Gain insights on the efficacy of the Council's risk management framework through a schedule of Directors' presentations on risk and mitigations within their areas of responsibility". The Director Risk Management Presentations include a focus on the strategic risks facing their respective service areas and the internal controls and governance in place to manage and mitigate those risks, demonstrating how risk management is embedded at both corporate and service levels. This approach provides the opportunity to the Members of the Audit 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 assess the adequacy and effectiveness of the Council's risk management arrangements. The schedule of Director Risk Management Presentations is outlined below:

Director	Date of Presentation
Director Education & Lifelong Learning	12 December 2022 (held)
Chief Executive	13 February 2023 (held)
Director Infrastructure & Environment	13 March 2023 (held)
Director Social Work & Practice	10 May 2023 (upcoming)
Director Strategic Commissioning & Partnerships	27 June 2023 (upcoming)
Director Resilient Communities	25 September 2023 (upcoming)
Director People, Performance & Change	13 November 2023 (upcoming)
Finance & Corporate Governance	TBD

- 4.8 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.
- 4.9 Since the presentation of the Risk Management Annual Report 2021/22 a significant piece of work has been led by the Emergency Planning Team to upgrade and update the Council's Business Continuity System (Continuity2), following approval by the Covid-19 Response and Recovery Board on 15 February 2022. As set out in the approved proposal "Business Continuity Management (BCM) is an established part of the UK's preparations for managing risks faced by organisations, whether from internal system failures or external emergencies such as extreme weather, flooding, terrorism, or infectious diseases". It was further noted that "The Civil Contingencies Act 2004 places a statutory requirement on Scottish Borders Council as a Category 1 Responder to put in place internal Business Continuity Arrangements". Integral to this is the establishment of a standardised and consistent approach to the updating of Business Continuity Plans and their subsequent review and testing, for which the system upgrade is a key enabler.
- 4.10 As part of this project the Corporate Risk Officer has attended a series of training sessions, along with two Emergency Planning Officers, delivered by the supplier of the Council's Business Continuity Software (Continuity2) to learn how to use the new system. The primary aim of this is was to remove the single point of failure (SPOF) threat that had existed in this area as it was identified that only one member of staff had the skills and knowledge to use the system and to provide support and guidance to Service Managers in relation to updating their Business Continuity Plans. As Risk Management and Business Continuity are intrinsically linked, gaining additional skills in Business Continuity also serves to support the effective application of the Risk Management Framework and foster stronger links between these two cross cutting and interdependent Council activities, whilst meeting corporate objectives to ensure the provision of statutory Council functions. Once the upgrade to the new system has been completed the Corporate Risk Officer will continue to support the Emergency Planning Team in the training and development of Business Continuity Plan Owners to ensure that they have the required skills and knowledge to review and update their plans and utilise the full functionality of the new software system, ensuring a consistency of approach across the organisation and the achievement of best value.
- 4.11 To support joint working both internally and externally with partners the Chief Officer Audit & Risk and the Corporate Risk Officer liaise on a regular basis with a number of colleagues. Most notably, during 2022/23 there has been monthly contact with the Corporate Policy Team with a view to ensuring stronger links between the Council Plan, and its subsequent refreshes, and Risk Management. Similarly, monthly sessions are held with the IJB's Chief Officer and Chief Financial Officer to focus on specific IJB Audit and Risk items. Recently, these meetings have also been attended by NHS Borders' Risk Manager in order to foster closer working relationships and increase awareness of the IJB Risk Register in terms of the implications

that the risks contained within have on delegated services, and equally, the ways in which successful management of these risks is dependent on them. Moving forward an Integrated Risk Forum has been established for the partners to share knowledge and gain a greater understanding of the risk management processes that are in place for both NHSB and SBC in order to facilitate enhanced risk management reporting to the IJB and better enable the achievement of IJB objectives.

- 4.12 Furthermore, regular engagement with senior managers continues to be undertaken with the Chief Officer Audit & Risk attending Service Management Team Meetings to provide updates on risk management activity and, where relevant, to raise awareness of new developments, as was the case with the Risk Appetite Toolkit.
- 4.13 The Chief Officer Audit & Risk and the Corporate Risk Officer are corporate members, for the Council, of two professional risk management bodies: 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.
- 4.14 Liaison continues with Internal Audit on an on-going basis to ensure that risk is considered in every assurance audit and that risk reviews take account of improvement recommendations arising from audit work. The Corporate Risk Officer receives final Internal Audit Reports as relevant and appropriate.
- 4.15 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 sufficiently with reference to relevant risk registers and with appropriate detail to ensure that Elected Members have sufficient access to information to support them in the decision making process. During 2022/23 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 mitigation actions that are being pursued or new risks that have emerged.

Conclusion

- 4.16 The above demonstrates that the management of risks is being embedded throughout the Council 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. Effective Risk Management is a key enabler of informed decision-making and should help to ensure that decisions are taken with a comprehensive understanding of the associated risks.

5 RISK MANAGEMENT NEXT STEPS 2023/24

- 5.1 The Risk Review Programme of Work for the Corporate Risk Officer in 2023/24 is being developed on a quarterly rolling basis to incorporate the cycle of Corporate Risk Register reviews, relevant Service Risk Register reviews, Programme and Partnership Risk Register reviews along with the development of new risk registers, in collaboration with Management. The Corporate Risk Officer will continue to support Directors in the delivery of their Risk Management Presentations, as outlined in Section 4.7 of this report.
- 5.2 The Risk Appetite Toolkit, approved by CMT on 19 October 2022, will continue to be implemented across the Council, the application of which will support the development of additional risk reporting to CMT to facilitate enhanced risk management oversight and decision making. Building on this, the Chief Officer Audit & Risk and the Corporate Risk Officer will continue to explore the ways in which current risk management reporting can be further enhanced. This will be informed by the knowledge gained from the Council's membership of two professional risk management bodies: The IRM and ALARM.
- 5.3 Furthermore, the Risk Management Training Pack for managers will be updated to reflect the Risk Management Policy, Strategy and Process Guide along with the new guidance contained within the Appetite, Tolerance and Capacity Toolkit. This will be enabled through the e-Learning platform (SB Learn) and will ensure that Managers continue to have the skills required to identify, evaluate, monitor and control risks in line with the Corporate Risk Management Framework.
- 5.4 Building on the success of the Corporate Risk Register refresh to align it more closely with the Council Plan 2022/23, efforts will continue to be made to align the corporate risk management process with both the business planning (i.e. departmental delivery plans) and performance management processes as they are developed. Once in place Management will have access to a very valuable management tool for planning, monitoring, reporting and assurance. This will be supported by ongoing engagement with key colleagues, ensuring that joined-up and collaborative working is progressed in the pursuit of achieving corporate objectives.
- 5.5 The Chief Officer Audit & Risk and the Corporate Risk Officer will undertake a Risk Management Maturity Assessment for the Council during the course of 2023/24. This assessment will evaluate how well the Council's risk management practices meet best practice and will identify any required areas for 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 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 Council's 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 management of 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. Good governance including the management of risks, is important to enable Scottish Borders Council to achieve its objectives, including those supporting its climate change obligations.

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 Council Management Team (CMT) 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. Part of CMT's oversight includes a strong focus on the mitigation actions associated with those risks that present the most significant threat to achieving the Council's objectives.

7.2 The Acting Chief Financial Officer, Interim Chief Corporate Governance 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 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