

BOARD ANNUAL STRATEGIC RISK REGISTER REVIEW

1 Purpose of the paper

- 1.1 The purpose of this paper is to support the Board's role on the annual review of the strategic risks which may pose a threat to the successful delivery of the organisation's strategic outcomes. The purpose of this paper is therefore to confirm the risk appetite of the Board and present the Board with the current strategic risk register (Annex A) so that it can have a full discussion on the risks currently being faced by FSS.
- 1.2 The Board's annual discussion on risk is in line with the FSS Risk Management Policy (Annex B) and follows on from monthly risk management discussions by the Executive and quarterly discussions/review by the Audit and Risk Committee (ARC) which can escalate to the Board as necessary.
- 1.3 The Board is asked to:
- **Note** the development and implementation of the FSS Risk Management Policy and framework which shows that risks are being managed, reported and escalated in an effective and timely manner.
 - **Discuss** the current strategic risks, in particular those rated VERY HIGH/RED and confirm they are appropriate or whether any additions or deletions should be considered
 - **Note** the practical example provided that show the application of the Board risk appetite (Annex C) when it comes to managing risk
 - **Agree** the risk appetite statement as still being applicable to FSS and for the executive to continue to use to support FSS decision making
 - **Agree** that the existing process for reviewing, reporting and escalation of risk should continue through the Audit and Risk Committee (quarterly) and Board (annually).
 - **Note** that further development of the strategic risk register format will be undertaken by the Executive during quarter 3.

2 Background

- 2.1 Corporate risk and the associated risk registers have been the subject of regular discussion by both the Board and the ARC following FSS vesting in April 2015. These discussions have resulted in the evolution of how risks are managed and reported within FSS, primarily as our early corporate risk register was focussed on the risks associated with being a new organisation and undergoing significant organisational change. A full discussion on strategic risk took place with the Board in August 2016 and the Executive was tasked with developing a revised strategic risk register, based on the Boards agreed risk appetite statement.

- 2.2 The new strategic risk register was presented to the ARC for the first time at its November 2016 meeting alongside a redeveloped FSS Risk Management Policy (Annex B) which is based on the Scottish Government's risk management methodology. The risk register follows the Board's agreed risk appetite statement and the development of the Strategic Risk Register is now part of business of usual with monthly reviews undertaken at a Directorate and Senior Management Team (SMT) level and quarterly at ARC.
- 2.3 In line with the FSS Risk Management Policy on reporting of risks, it was also agreed that the Board should review and discuss the strategic risk register as a minimum annually, as well as reviewing any risks, following consideration and discussion by the ARC, that have been scored as RED or VERY HIGH within the risk register.

3 Discussion

Risk Appetite

- 3.1 As the Board will recall, the purpose of a risk appetite statement is to provide the Executive with guidance on the degree of tolerance that should be applied to a range of risks. A low tolerance indicates less acceptability of the issue in question. So a low tolerance with regards to public health means we are less accepting of public health risks. FSS operates within the risk appetite statement that the Board agreed in August 2016 (Annex C).
- 3.2 The risk appetite has been applied by the Executive in determining its risk management responses in a variety of scenarios. For example in incidents, the low tolerance on public health risks has informed our decision making as has the appetite around reputation risk and organisational criticism, where we have a medium tolerance and therefore have not responded to some of the criticism that has been levelled at FSS.
- 3.3 Reputation however is one area where it is felt we should keep under review. Nonetheless, at this point the Executive's view is that the risk appetite statement remains appropriate and therefore recommend the retention of the current statement.

Risk Management Policy and Framework

- 3.4 The revised FSS Risk Management Policy document is provided at Annex B for the Board's information and was developed following an internal audit on Governance during 2015/16. The audit made some recommendations aimed at improving the framework within FSS for managing risks consistently at all levels so we can better manage the successful delivery of our strategic objectives. These changes resulted in the adoption of a three tier approach to managing risk at the appropriate level and allowing for escalation/de-escalation (Fig 1) as appropriate:
- Level 1 – Strategic Risk Register
 - Level 2 – Senior Management Team Risk Register
 - Level 3 – Directorate/Programme Risk Registers



Figure 1 – risk escalation process in FSS

3.5 The policy has also adopted the principles of the Scottish Government risk framework and the associated methodology is straightforward and aims to assist the organisation manage risk effectively, following 5 distinct phases:

- **Clarifying objectives** – established through the agreement of the Strategy and Corporate Plan
- **Identifying risks** – in order to manage risks, we need to know what risks are faced and undertake an evaluation to articulate the risks specific to FSS
- **Assessing risks** – this enables the effective prioritisation of risks in relation to our objectives and ensures attention is focussed on the key risks and resources are concentrated where they are most required.
- **Addressing risks** – this is the stage where actions are agreed in order to control or mitigate risks that have been identified.
- **Reviewing and reporting risks** – this ensures that new opportunities and threats or changes to existing risks are managed. Reporting changes helps to raise awareness and coordinate responses to key risks.

3.6 As part of the 'reviewing and reporting' risks section of the policy, it was agreed that the Executive would continue to review, report and escalate risks on the strategic risk register through the ARC, who have been delegated with this responsibility by the Board. The ARC provides the Board with oral updates following each meeting of the Committee, and where relevant and appropriate, will escalate any RED or VERY HIGH risks to the Board out with the agreed annual discussion on risk.

4 Strategic Risks

- 4.1 During the Board's discussion on risk in August 2016, **9** strategic risks were initially agreed and formed the basis of the revised strategic risk register. Since that time a number of risks have been identified, revised or escalated/de-escalated, particularly following the development of the Level 2 SMT risk register and due to the changing political environment. At October 2017 there are **12** risks identified within the strategic risk register (Annex A). Of the **12** risks, there is currently **1** risk rated as **VERY HIGH/RED**. This risk was added to the register following intersessional Board agreement during July 2017 and is articulated below:

As FSS'S regulatory and operational delivery functions are largely related to EU law, there is a risk that, given the tight timescales and on-going uncertainty about constitutional issues, FSS does not have adequate time to prepare for the effect this has in Scotland. This would affect our capability and capacity to achieve our strategic plan, for example through loss of statutory levers or through diverting resources away from carrying out the key activities agreed in the corporate plan.

- 4.2 This risk relates to the potential impact work associated with Brexit has on our ability to deliver our Corporate Plan and Strategy commitments. The risk register provides Board Members with additional details on the controls that have been put in place to mitigate the impact of the risk materialising, as well as an update assessment of the risk rating (impact and likelihood) and action that has taken place since the last review of the risk register by SMT and the ARC. **Board Members are asked to note and discuss the VERY HIGH/RED risk.**
- 4.3 Given the scale of Brexit and the impact and uncertainty of risks materialising, the Executive has established a Brexit Programme risk register that considers in more detail the risks associated with leaving the EU. This approach follows our risk management framework as we have now brigaded all Brexit work within a programme based structure. The Brexit risk register was discussed by the ARC at its September meeting, where it was agreed that, given their potentially fast changing nature going forward, Brexit associated risks should be discussed on an on-going basis as part of the ARCs assurance role with regards to risk.
- 4.4 Of the **11** remaining risks contained within the strategic risk register, **3** are rated as **AMBER/RED** and **8** as **AMBER**. These risks are articulated in full within the attached risk register and the Board are asked to note and discuss these risks where appropriate, with a view to confirming these risks remain relevant and whether any risks should be removed or added to the strategic risk register.
- 4.5 In line with the FSS Risk Management policy on reporting and reviewing risks, the Board will also wish to be aware of **1** risk within the SMT risk register which is currently rated as **VERY HIGH/RED**. This risk is linked to the delivery of scientific services by Public Analyst laboratories in Scotland being unable to adequately support FSS's key work in surveillance, official control delivery and incident response. This was discussed at the September meeting of the

ARC and agreed that it was still appropriate to be managed at an Executive level.

5 Risk Register Development

- 5.1 The Board should also note that the Executive plan to undertake a light-touch review of the current risk register format during quarter 3. This review will consider whether the risk register can be presented in a more accessible and user-friendly way, along with providing additional information on the risks, such as un-treated risk scores and timescales associated with each risk.

6 Conclusion/Recommendations

6.1 The Board is specifically asked to:

- **Note** the development and implementation of the FSS Risk Management Policy and framework which shows that risks are being managed, reported and escalated in an effective and timely manner.
- **Discuss** the current strategic risks, in particular those rated VERY HIGH/RED and confirm they are appropriate or whether any additions or deletions should be considered
- **Note** the practical example provided that show the application of the Board risk appetite when it comes to managing risk
- **Agree** the risk appetite statement as still being applicable to FSS and for the executive to continue to use to support FSS decision making
- **Agree** that the existing process for reviewing, reporting and escalation of risk should continue through the Audit and Risk Committee (quarterly) and Board (annually).
- **Note** that further development of the strategic risk register format will be undertaken by the Executive during quarter 3.

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Annex A – Strategic Risk Register (attached separately)

Annex B – FSS Risk Management Policy and Guidance (attached separately)

Annex C – FSS Risk Appetite Statement

With regards to public health the Board has generally a low appetite for risk. This is because consumer protection and public health are at the core of what we do. Ensuring food is safe is our primary, non-negotiable, function and forms the basis of the trust consumers have in FSS. On public finance the Board has a low tolerance and would expect the Accountable Officer to apply the principles of sound financial management, managing within budget.

Clearly any organisation needs to think about its reputation and how an organisation is perceived is important. Perceptions will vary between different stakeholders but the trust of consumers is paramount. In this regard the Board's appetite for risk is medium tolerance. Obviously, it is important that we work collaboratively and effectively but it is possible given the breadth of our remit that there are opportunities for disagreement. As our organisation is non-Ministerial, it is important that we retain and use that independence from Government wisely, taking account of, but not being wholly influenced by the views of others.

Given the current landscape and the challenges the organisation faces, the Board has a high tolerance for innovation and taking well managed and thought-through risks in areas such as piloting of new ideas, delivery models etc.