

Non-Executive Report of the:  <b>Audit Committee</b>  28 June 2017	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Zena Cooke – Corporate Director Resources	<b>Classification:</b> Unrestricted
<b>Risk Management update</b>	

<b>Originating Officer(s)</b>	Minesh Jani
<b>Wards affected</b>	All wards

## 1. Summary

This report provides Members with an overview of the Council’s corporate risks. The report also provides an update on the corporate risk register since last reported in January 2017.

The report enables the Audit Committee to fulfil its role as set out in the Committee’s terms of reference item no.8 - to review the risk management arrangements of the authority.

## 2. Recommendations

2.1 The Audit Committee is recommended to:

- Note the corporate risks and recommend changes and updates as necessary;
- Determine if risks on the corporate risk register are a significant threat to the achievement of corporate objectives or the performance of activities to satisfy core statutory obligations; and
- Request risk owner(s) to provide a detailed update on the treatment and mitigation of their risk including impact on the corporate objectives at a future meeting.

## 3. Background

3.1 Risk management is an integral part of good corporate governance. There are many definitions of corporate governance but the one used by CIPFA is “.....the procedures associated with the decision making, performance and control of organisations, with providing structures to give overall direction to the organisation and to satisfy expectations of accountability to those outside

it”.

- 3.2 All organisations face risks in everything that they do but by the proper management of its risks, organisations can benefit by reducing their significance; either by reducing the level of impact, or making the risk less likely to happen. Over the last few years, the use of risk management as a tool in the public sector has gained strength as the appreciation of how risk management can be used as a technique for delivering an efficient and effective service to all its stakeholders. This is demonstrated in guidance issued by CIPFA / SOLACE, “Delivering Good Governance in Local Government”, which makes reference to the need for effective management of risks and suggest how authorities can use audit committees to support a framework for effective systems of internal control.
- 3.3 The council has developed a formal Risk Management framework and processes which are supported by the Risk Management and Audit team. This is part of the council’s corporate governance process and contributes to its compliance with Financial Regulations and Procedures as well as the Accounts and Audit Regulations 2015. It is also a key part of the council’s Annual Governance Statement which is approved by the Audit Committee in June each year.
- 3.4 The council recognises that it has responsibility to manage business risks and opportunities in a structured manner in order to achieve its corporate objectives and enhance the value of services it provides to the community.
- 3.5 The ongoing risk and assurance aims are:
- To give members and senior officers an understanding of the key risks facing the Council and its community, and to show how these risks are being responded to;
  - To implement and maintain a fluid process for the everyday management of risks relevant to our objectives, outcomes, services and assets;
  - To improve the Council’s risk management culture and transparent ownership of risks and issues; and
  - To continue to meet the requirements of our external auditor and compliance providers.

Risks are assessed using the Council’s risk assessment process, in terms of how likely a risk is to occur and what the consequences would be if they did. Based on that assessment risks are classified as follows:

- **Red (Severe)** indicates that the risk is very significant and requires immediate and comprehensive management attention;
- **Amber (Significant)** indicates that the consequences of a risk

materialising would be significant, but not disastrous. Some immediate action (but not as time critical) is required plus the development of a comprehensive action plan;

- **Yellow (Material)** indicates that the consequences of the risk are of concern although treating the risk will be through contingency planning;
- **Green (Low)** indicates the likelihood and impact of the risk relatively unimportant.

#### 4. Reasons for the Decisions

- 4.1 The report is brought quarterly to provide the Committee with an oversight of the authority's processes to facilitate the identification and management of the council's significant business risks.

#### 5. Background

- 5.1 The Audit Committee requires the Head of Audit and Risk Management to provide a regular report on the effectiveness of the process deployed to identify, assess, prioritise and mitigate the key risks which could affect the overall achievement of service objectives.

- 5.2 Corporate risk register

The current risk register contains a total of 13 risks rated as three red, seven amber and three yellow (see para 1.2 above for the risk definitions).

The table below is a breakdown of the number of corporate risks by directorate for quarter 1, 2017/18.

Directorate	8	9	12	15	20	25	Grand Total
HAC	0	0	1	1	0	0	2
CSD	0	0	2	0	0	1	3
PD	0	0	1	1	0	1	3
GD	1	0	1	0	0	0	2
Resources	1	1	0	0	1	0	3
Total	2	1	5	2	1	2	13

Table 2. The number of risks within each directorate by risk score.

Key: **HAC** – Health, Adults and Community directorate  
**CSD** – Children's Services directorate  
**PD** – Place Directorate  
**GD** – Governance directorate

## Resources – Resources directorate

### 6. Details of Report

6.1 The Council's strategic priorities detailed within the Strategic Plan are as follows:

Creating opportunity by supporting aspiration and tackling poverty

- A dynamic local economy, with high levels of growth that is shared by residents.
- Residents in good quality, well – paid jobs.
- Children get the best start in life and young people realise their potential.
- People are healthy and independent for longer.
- Gaps in inequality have reduced and diversity is embraced.

Creating and maintaining a vibrant and successful place

- An improved local environment
- People feel safe and places have less crime and anti-social behaviour.
- Better quality homes for all.
- Communities are engaged, resilient and cohesive.

Working smarter together as one team with our partners and community

- An enabling and efficient council.

6.2 The table below shows the number of risks associated with these corporate priorities.

<b>Corporate Priority</b>	<b>Q1 2016/17</b>	<b>Q2 2016/17</b>	<b>Q3 2016/17</b>	<b>Q4 2017/18</b>
Creating opportunity by supporting aspiration and tackling poverty	5	4	4	3
Creating and maintaining a vibrant, successful place	1	2	2	2
A transformed council, making best use of resources and with an outward looking culture	3	5	6	8
<b>Total</b>	<b>9</b>	<b>11</b>	<b>12</b>	<b>13</b>

*Table 1. The number of risks identified by Corporate priority*

### 7 Current Corporate risks

7.1 A summary of the Council's corporate risk registers is attached at Appendix 1. A detailed risk register is attached at Appendix 2, which sets out the nature of the risks and steps taken already to manage the risks and further actions

planned to improve the management of the risk. Finally, the dashboard at Appendix 3 sets out the heat map of the Council's corporate risks and performance information in respect of the risks.

## **8. COMMENTS OF THE CHIEF FINANCE OFFICER**

- 8.1 There are no specific financial implications arising from the recommendations within this report. General comments with regards the importance of effective risk management and the consequences of failure to monitor and manage organisational risks are contained within the body of the report.

## **9. LEGAL COMMENTS**

- 9.1 The Council has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness by virtue of section 3 of the Local Government Act 1999. This is known as its Best Value Duty.
- 9.2 Under Regulation 3 of the Accounts and Audit Regulations 2015, the Council is required to ensure that it has a sound system of internal control that facilitates effective exercise of the Council's functions and includes arrangements for the management of risk. The Council is also required by Regulation 5 to maintain an effective system of internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance. One of the functions of the Audit Committee under the Council's Constitution is to review internal audit findings. The consideration by the Audit Committee of this report is consistent with the Council's obligations and is within the Committee's functions.

## **10. ONE TOWER HAMLETS CONSIDERATIONS**

- 10.1 There are no specific one Tower Hamlets considerations arising from the recommendations in this report.

## **11. BEST VALUE (BV) IMPLICATIONS**

- 11.1 The Council operates a risk management framework governed by a risk management policy to allow risk to be considered using a consistent model. The risk management cycle consists of the key steps for effective risk management which enables the Council to meet its best value duty to secure continuous improvement with regard to economy, efficiency and effectiveness.

## **12. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 12.1 There are no specific proposals in the report contributing to a sustainable environmental action for a greener environment.

## **13. RISK MANAGEMENT IMPLICATIONS**

13.1 The report sets out arrangements for mitigating risks to the Council and actions taken to treat and eliminate identified risks.

**14. CRIME AND DISORDER REDUCTION IMPLICATIONS**

14.1 There are no specific crime and disorder reduction implications arising from this report.

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**Linked Reports, Appendices and Background Documents**

**Linked Report**

- NONE

**Appendices**

- Appendix 1 Corporate risk register
- Appendix 2 – Detailed risk register.
- Appendix 3 – Corporate risk Dashboard

**Local Government Act, 1972 Section 100D (As amended)**

**List of “Background Papers” used in the preparation of this report**

List any background documents not already in the public domain including officer contact information.

- NONE.

**Officer contact details for documents:**

- N/A