Non-Executive Report of the: Audit Committee 27 September 2017	**TOWER HAMLETS**
Report of: Zena Cooke – Corporate Director Resources	**Classification:** [Unrestricted or Exempt]
Annual Risk Management Report 2017/18 and Q2 Risk Management Update	

Originating Officer(s)	Minesh Jani
Wards affected	All wards

Summary

The purpose of this report is to provide the Audit Committee with:

a) An oversight of the authority's processes to facilitate the identification and management of its significant business risks.

b) Summary of the Q2 2017/18 Corporate Risk Register and update since last reported in June 2017.

c) Risk Management Team activity over the last 12 months

The report enables the Audit Committee fulfil part of its functions as set out in the Committee's terms of reference item no.8 – to review the Risk Management arrangements of the authority.

Recommendations:

The Audit Committee is recommended to:

1. Note the corporate risks and recommend changes and updates as necessary;

2. Note the contents of the Annual Risk Management Report 2017/18 and agree actions at section 9 of the report;

3. Request risk owner(s) requiring further scrutiny provide a detailed update on the treatment and mitigation of the risk including impact on the corporate objectives at its December meeting; and

4. 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 to satisfy core statutory obligations.

1. **REASONS FOR THE DECISIONS**

1.1 This report is brought annually and quarterly to provide the Committee with an oversight of the authority's processes to facilitate the identification and management of its significant business risks.

2. **ALTERNATIVE OPTIONS**

2.1 None.

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.

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.

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.

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 objective's, 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.

Managing Key Risks

The Council's risk management process is implemented across Directorates, Business Units and Projects. On a quarterly basis each Directorate review and updates the risks captured on their risk registers and add any new or emerging risks.

New risks and key changes to current risks are discussed and challenged at Directorate and Corporate Leadership Team meetings. Annually each Directorate is encouraged to undertake a full risk review in line with service and financial planning processes. Key risks are included within relevant Directorate and Divisional business plans and are also reported to Audit Committee. This reporting format ensures that the Council's risk management framework remains embedded and that reporting remains "live" across the organisation. Further information on risk reporting can be found in the Council's risk management strategy.

4.   Annual Risk Management Report 2017/18

4.1   The report sets out in some detail risk management activity over the last twelve months.

5. **DETAILS OF REPORT**

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 12 risks rated with four rated as red, five as amber and three as yellow (see para 3.2 above for the risk definitions).

The table below is a breakdown of the number of corporate risks by directorate for quarter 2, 2017/18.

Directorate	6	8	12	15	16	20	25	Grand Total
	Material	Material	Significant	Significant	Severe	Severe	Severe	
HAC	0	0	1	1	1	0	0	3
CSD	0	0	3	0	0	0	1	4
PD	0	0	0	0	0	1	0	1
GD	0	1	0	0	0	0	0	1
Resources	1	1	0	0	0	1	0	3
Total	1	2	4	1	1	2	1	12

Table 1. 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

The Council's strategic priorities detailed within the Corporate Strategy 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.

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

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

Table 2. The number of risks identified by Corporate priority.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 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.

7. LEGAL COMMENTS

7.2 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.

7.3 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.

8.   ONE TOWER HAMLETS CONSIDERATIONS

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

9.   BEST VALUE (BV) IMPLICATIONS

9.1   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.

10.   SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

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

11.   RISK MANAGEMENT IMPLICATIONS

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

12.   CRIME AND DISORDER REDUCTION IMPLICATIONS

12.1   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
- Annual Risk Management Report 2017/18
- 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:

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