REPORT TO:	DATE	CLASSIFICATION	REPORT NO.	AGENDA NO.
Audit Committee	**14th January 2013**	**Unrestricted**		
REPORT OF: **Corporate Director, Resources** ORIGINATING OFFICER(S): **Head of Risk Management and Audit**		**Risk Management Annual Report 2012** **Ward(s) Affected: N/A**		

1.0 Introduction

1.0 The Audit Committee's terms of reference includes as one its functions "to review the Risk Management arrangements of the Authority". This report is designed to assist the Committee in the exercise of this function.

The purpose is to provide the Committee with:

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

b) Summary of the current Corporate Risk Register and

c) Risk Management Team activity over the last 12 months and future actions.

2.0 Recommendation

That the Audit Committee is asked to note to contents of this report.

LOCAL GOVERNMENT ACT, 2000 (SECTION 97)
LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Brief description of "background papers"	Name and telephone number of holder And address where open to inspection
None	Minesh Jani, 0207 364 0738

3.0 Background

3.1 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. In recent years there have been a number of high profile events that have led to improved Risk Management and corporate governance arrangements in the private and public sectors. Such events and incidents include child abuse cases, fraud, failing schools, major project and procurement failures, arson in public buildings etc.

3.2 These events have led to the recognition of the importance of Risk Management and its place within the internal controls of a public body and its contribution to the delivery of successful service outcomes.

3,4 There is a legal requirement i.e. (The Accounts and Audit Regulations 2011) which require a system to be in place to identify and manage risks in public bodies. In addition public bodies have to comply with corporate governance regulations and codes. 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.

3.5 Over the last few years, the use of Risk Management to assist effective decision making in the public sector has gained strength as the appreciation of how it can be used as a technique for delivering an efficient and effective service to all its stakeholders.

4.0 Corporate Risk Management Process

4.1 The approach to managing risk is outlined in the Council's Risk Management Policy Statement which encourages innovation and creative approaches to service delivery whilst requiring careful consideration of the risks involved and taking appropriate measures to manage them. The Corporate Risk Management Process is aimed at identifying, assessing, prioritising and mitigating the significant risks that could impact on the delivery of the Council's objectives (i.e. corporate risks). This process is aligned with the Council's priorities.

4.2 Corporate risks are those concerned with ensuring overall success of corporate/strategic objectives as well as the vitality and viability of the Council. Materialisation of such risks would be perceivable by elected members and other stakeholders/partners including the public and will affect the reputation of the Council, amongst other significant consequences. Guidance has been produced to help Risk Champions identify such corporate risks from their directorate level assessment.

4.3   The methodology involves designated senior directorate managers (known as Risk Champions), in liaison with their directorate DMTs, identifying risks which should be regarded as being 'corporate'. Risk Champions meet monthly to review and moderate the identified risks and the associated mitigating action. Once reviewed these risks form part of the monthly risk report to CMT and MAB.

The directorate Risk Champions are:

Chief Execs/Resources	Head of Audit and Risk Management
Adults, Health and Wellbeing	Interim Head of Finance
Children, Schools and Families	Head of Programme Office
Communities, Localities and Culture	Finance and Resources Manager
Development and Renewal	Head of Programme & Business Assurance

5.0   Corporate Risk Register

5.1   The Corporate Risk Register consists of the most significant risks to the Council's objectives, identified by directorates and moderated by the Risk Champions Group. Corporate risks tend to be risks which are in the medium to long term e.g. failure to meet decent homes target but also may be more short term such as risks to Council services due to the Olympics.

5.2   As the table below shows the number of corporate risks reduced from January 2012, when there were 19 to a current figure of 12.The number of risks has been in the range of 14 - 12 since April. Some risks have been de- escalated to directorate level following successful mitigation to a lower level of risk exposure whilst others have been removed from the register as the risk event has passed (i.e. there is no longer a risk).

5.3   **Chart 1: Monthly totals of Corporate Red and Amber Risk since January 2012**
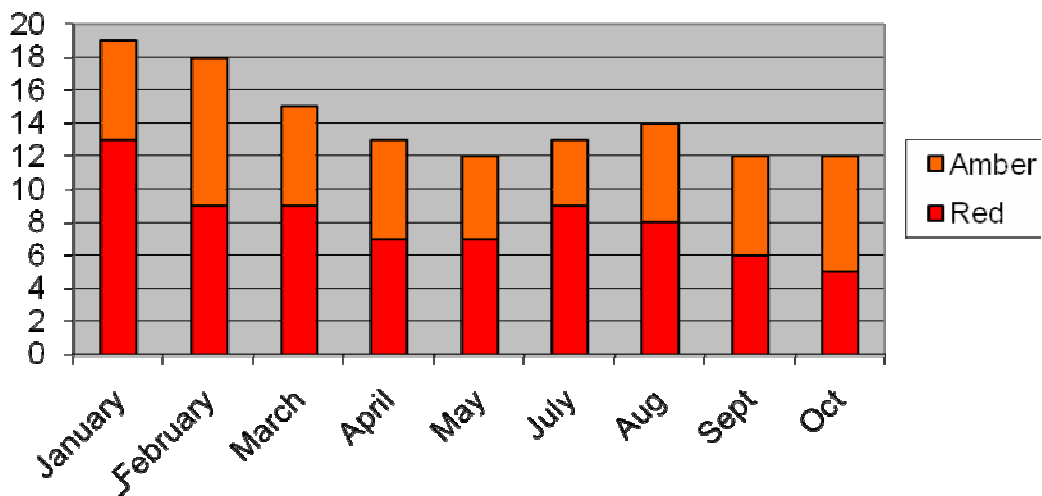
5.4 Tables 1 and 2 below analyse the *12 corporate* risks on the basis of corporate priorities by directorate. There are no corporate risks identified for the Safer and Supportive Community priority.

Table 1: Number of risks by corporate priority theme:

Corporate Priority/Theme	Red	Amber
A Great Place to Live	4	0
A Prosperous Community	1	3
A Safe and Supportive Community	0	0
A Healthy Community	0	1
One Tower Hamlets	0	3
Total	**5**	**7**

5.5 **Table 2: Number of risks by directorate (Red and Amber):**

Directorate	Red	Amber
Adults, Health and Well being	0	1
Chief Execs	0	3
Children, Schools and Families (CSF)	1	0
Communities, Localities and Culture (CLC)	0	0
Resources	1	3
Development and Renewal (D&R)	3	0
Total	**5**	**7**

There are no corporate risks identified by CLC.

5.6 Out of the 12 corporate risks there are **five Red risks** and details of these are set out below. (Note: Some risk descriptions have been summarised).

Red risks attract a score of between 8 and 16 (max). The risk scoring system can be seen in appendix 1.

Score 16 (Two risks)

CSE00010 - Insufficient capacity (assets, land and funding) to meet local need for schools places.

DRDH0001 – Reduction in affordable private sector accommodation.

Score 9 (One risk)

RS0039 – Risk that additional savings are required to respond to major variances in financial planning assumptions.

Score 8 (Two risks)

DRA0009 – Failure to deliver Decent Homes by 2016.

DRA0012 – Unable to deliver the Mayor's target level of affordable housing.

5.7   There are **seven Amber** risks. Amber risks are those which have a risk score of between 4 and 6. See appendix 1 for the risk scoring system.

The six Amber risks are set out below:

Score 6 (six risks)

AH 0025 - A shortfall in the level of supported housing available to the service

CEAC0004 – Publication or broadcast of content that presents reputational risk to the Council.

HR 0005 - There is a risk that the Council will fail to develop and implement a work force plan that effectively meets its strategic and operational needs over the next 5 to 10 years – across all services.

RS0038 - The approved savings programme for 2012-13 to 2014/15 may not be delivered either in full or to the original timescales.

S&P 0006 - Impact of welfare reform on local residents

TP – SW0015 - Failure to vacate and surrender Anchorage House lease on time.

6.0   **Risk Management Activity**

6.1   The following paragraphs detail some of the recent activity by the Risk Management team in helping to promote and embed Risk Management within the Council.

a) Zurich Municipal (ZM) – Risk Management Review

The Risk Management team commissioned Zurich Municipal Risk Engineering (The Risk Management consultancy arm of the Insurance company) to undertake review of the Council's Risk Management arrangements.

The consultant reviewed of the Council's Risk Management policy and guidance, interviewed senior officers, Risk Champions and two elected members (Chair of Audit Committee and Lead Member for Resources) and an online survey of over 150 managers was also conducted. ZM produced a report, which included the survey results, and presented their findings and recommendations to theRisk Champions Group.

The report lays the foundation for a Risk Management Improvement Plan (see 7.0 below).

b) Promotion, Communication and Training

Risk Talks

A programme of short one hour talks, led by external and/or internal speakers, on matters of topic interest in relation to Risk Management has been implemented. The programme commenced in June 2012 and is aimed at managers and other specialist staff.

The first Risk Talk was presented by the National Audit Office on Initiating Successful projects. Since then talks have taken place on how global events cause risks at national and local levels e.g. climate change as well as managing reputation risk and effective Health and Safety management.

There has been an excellent attendance ranging from about 35 to over 60 for the managing reputation risk talk. Two more Talks are taking place this year on managing digital Risks and a legal summary of insurance cases. Articles based upon these Talks have been produced for inclusion in TH Now to disseminate the key risk messages within the Council and provide publicity for these events.

Risk Management training

Regular half day Risk Management training sessions have been held every couple of months. The training session includes an overview of the Council'sRisk Management process as well as opportunities for delegates to participate in a Risk Management exercise. Whilst delegate feedback has been positive the numbers of attending have varied and on occasions sessions have had to be rearranged. These sessions are currently on hold pending a review to of the training content but will re-commence from January 2013.

The Risk Management team have been piloting a new training package which has been well received. A decision whether to use the new package has yet to be made.

Risk Management training will continue to be provided but will need to be targeted more specifically at managers and other special areas e.g. project managers.

TH Net – Risk Management content

The Risk Management pages on TH Net, (intranet) have been reorganised and new content added including a set of generic risk assessments as well as guidance in the use of the Council's Risk Management information system (JCAD).

Risk Management Screen Saver

A screen saver, containing important Risk Management messages -Think RISK, Deliver RESULTS –(see appendix 2 to see views of the screen savers), was designed and published on all the Council PCs and laptops in February and are continuing. The purpose of the screen saver was to raise awareness of the benefits of effective Risk Management across the organisation as well as the information available on TH Net. It also linked in with an article in TH Now about the Risk Management process and its importance for successful service delivery.

Risk Management information System

The Council uses a Risk Management Information System, known as JCAD, to record risk and control information and produce management information reports. These reports are used to report risk information to CMT and MAB. The system is used to record corporate, directorate and service risks as well as some projects. Earlier this year the Council moved a new hosted service providing improved access and speed as well as greater reliability.

Provision of Advice and Guidance

The Risk Management team are currently providing a range of advice and guidance to services including, for example, the introduction of a systematic Risk Management scheme within CLC Public Realm. This has involved producing a Risk Management protocol, training of staff in the concepts of business Risk Management and undertaking training staff to use JCAD. This work in on going.

7.0   Risk Management Improvement Plan

The ZM report highlighted the good progress made by the Council in developing and embedding its Risk Management arrangements and also set out a number of recommendations for further developing and embedding these. In doing so it set out areas that the Council might seek to improve on, in order to ensure that Risk Management is a practical and useful tool which supported the achievement of the Council's strategic objectives.

The key recommendations focused on:

- Improving the corporate risk identification process and the regularity of risk reporting

- Reviewing and revising Risk Management guidance documents

- Reviewing and improving existing training for managers and members

- Expanding the use of JCAD to include corporately significant programmes and projects

- Support for Risk Champions and management of the Risk Management group

- A range of minor technical changes to the process including changing the risk matrix to allow greater flexibility in scoring risks

The ZM report's recommendations havebeen accepted by Risk Champions. A Risk Management Improvement Plan (RMIP) based upon the recommendations report will be submitted to CMT in November/December based upon the ZM report.

8.0   Comments of the Chief Financial Officer

The report sets out the main corporate risks facing the organisation and the actions that are being taken to improve the management of risk in the authority. Whilst the number of red and amber risks has declined over the course of the year, the scope and scale of the remaining risks has not diminished, and if anything there is a sense that they have increased. For example, the Chancellor of the Exchequer's recent announcement that austerity will persist into 2017/18 means that financial risks are likely to become more difficult to manage over time. It is intended to prioritise a thorough review of corporate strategic risks in the new year to ensure they continue to reflect the more serious and pressing issues facing the authority.

9.0   Concurrent Report of the Assistant Chief Executive (Legal Service)

The council is required under the Account and Audit regulations 2011 to have a sound system of internal control which facilitates the effective

exercise of the Council's functions and which includes arrangements for the management of risks. The maintenance and considerations about risk, such as is provided in the report, is part of the way in which the Council fulfils this duty.

10.   One Tower Hamlets Considerations

There are no specific Equal Opportunities issues arising from this report. Sound risk management is one way in which the Council ensure that it discharges its functions in accordance with its expressed objectives, including those set out in the community Plan, and that it does so in accordance with statutory requirements.

11.   Anti-Poverty Considerations

There are no specific Anti-Poverty issues arising from this report.

12.   Risk Management Implications

The revised control environment should pick up areas identified as of concern and reduce the residual risk.

13.   Sustainable Action for a Greener Environment (SAGE)

There are no specific SAGE implications.