# Annual Risk Management Report 2013/4

## Presented to the Audit Committee on 30 June 2014

**Minesh Jani,**
**Head of Audit and Risk Management**

**Contents**

**Section**                                                                 **Page no**

**1.0    Introduction**

1.1    The Audit Committee requires the Head of Audit and Risk Management to provide an annual 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. In addition this report highlights areas of the Risk Management team's activities and successes, performance information and a summary of the planned actions for 2014/5.

**2.0    Risk Management Team**

2.1    The Risk Management team comprises of Internal Audit, Fraud, Insurance and the Risk Management services. The team is led by the Head of Audit and Risk Management. This following section focuses on the Risk Management service which is delivered by the Head of the team and the Strategic Risk Adviser.It highlights the aims of the team and the services that underpin these objectives.

**The Risk Management team aim's and services**

2.2    The Risk Management Team has identified the following aims:

**A.** promoting the consistent use of risk management and ownership of risk at all levels;

**B.** building and maintaining  a risk aware culture within the council, including appropriate education and training;

**C.** developing, implementing and reviewing the risk management framework and risk management processes;

**D.** developing competence and maturity in risk management;

**E.** linking with  the other functions within and beyond the Risk Management team that advise on specific aspects of risk management (e.g. insurance, health and safety, business continuity, civil contingencies, occupational health, internal audit) ;

**F.** Reporting, escalating and communicating risk issues to key stakeholders.

2.3    In order to meet these aims the team delivers the following services:

• Management and coordination of the corporate risk management process which is part of the council's corporate governance framework.

• Provision of professional risk management support on a range of corporate and directorate projects. This includes, where appropriate, attendance at management meetings, risk interventions such as the production of risk

strategies and process guides, risk identification and control workshops, access and training to the council's Risk Management Information System(JCAD).

- Preparation and publication of risk information on TH Net.

- Maintenance and development of the Risk Management Information System, known as JCAD Risk.

- Provision of risk training including members, and senior managers, new managers and staff as well as regular training opportunities on JCAD Risk.

- Promotion of Risk Management through, for example the regular Risk Talks (Lunch and learn sessions).

2.4     Section 3 belowprovides information on the corporate risk process including the council's corporate risks. Sections 4 to 7 below provide an update on the team's work during the year and aligned to the above services it provides.

3.0     **Corporate Risk Management  Process**

3.1     The approach to managing risk is outlined in the Council's Risk Management Policy Statement (appendix 1), The Statement 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 which could impact on the delivery of the council's objectives (i.e. corporate risks). This process is also aligned with the council's team planning arrangements.

3.2     Corporate risks are those concerned with ensuring overall success of Council objectives, and the vitality and viability of the organisation.  Materialisation of such risks can have a number of consequences, for example they could significantly affect the reputation of the Council, or present significant financial costs. Guidance has been produced to help Risk Champions (see 3.4 below) and their directorates identify corporate risks from their service level assessments.

3.3     The review of both corporate and directorate risk is undertaken on a monthly basis by the Risk Champions Group. A timetable is in place to aid all directorates capture key risks and assess their significance. The methodology adopted by the authority (the UK Government's Management of Risk approach) is used to assess and prioritise key risks and to focus attention on those risks that require attention. Significant risks are examined at directorate level and any risk that remains significant after existing controls are taken into account (residual risk) are reported quarterly to the Corporate Management Team (CMT) so that they can be considered further. During July 2013, CMT identified a number of risks that have been subsequently added to the corporate risk register (see para 3.8 below).

**Risk Champions Group**

3.4 The Risk Champions Group is a key part of the council's corporate risk process. The Group is chaired by the Interim Corporate Resources Director and its members comprise of senior officers from each of the directorates. The group meets monthly and its primary purpose is to ensure that there is appropriate scrutiny of risks that have been identified by directorates and recommended for elevation to the corporate risk register. It also reviews and scrutinises directorate risks.

3.5 The role of a Risk Champion is set out in the group's terms of reference and includes the following activities:

- o Update and maintain directorate risks on JCAD (Council's Risk Management Information System) Risk every quarter;
- o Facilitate the embedding of risk management within the directorate;
- o Maintain close liaison on risk and risk dynamics with individual service heads and DMT collectively
- o Challenge officers in their directorate in their assessment of risk and seek explanations over the proposed actions to manage the risk;
- o Build a risk-aware culture within their directorate and disseminate good risk management practices;
- o Provide advice and assistance as required;
- o Obtain an update on planned actions from appropriate service heads for reporting to CMT; and
- o Bring significant risks to the attention of the CMT.

3.6 Once the group have scrutinised, reviewed and updated the corporate risks the Risk Management team prepare a quarterly Risk Management update report for CMT and subsequently to MAB.

3.7 A new innovation during 2013 was that corporate risk owners are invited to discuss their risk(s) with the group to get a better understanding on how well the risk is being managed. It may then make recommendations to the risk owner for suggested improvements to the controls.

**Corporate Risk Register**

3.8 In July 2013, the Corporate Management Team undertook a review of the corporate risk register; they were aided in this task by the Risk Management team and ZM Risk Consultancy. The result of this exercise was an agreed set of 11 risks that all directors identified, set risk scores and determined the actions to mitigate them. There were a number of existing corporate risks that were subsequently added to the corporate register making a total of 17 risks. These are listed in brief below (para 3.10).

3.9 The current corporate risk register (as at 31/3/14) contained a total of 17 risks - 16 amber and one yellow. The definition of each of these risk ratings is set out in appendix 2.

| Risk Scores | | | | | | |
|---|---|---|---|---|---|---|
| Directorate | 8 | 10 | 12 | 15 | 20 | Grand Total |
| CLC | 0 | 2 | 1 | 0 | 0 | 3 |
| D&R | 1 | 1 | 0 | 2 | 0 | 4 |
| ESCW | 0 | 0 | 0 | 2 | 0 | 2 |
| LPG | 0 | 0 | 3 | 1 | 0 | 4 |
| Resources | 0 | 1 | 2 | 1 | 0 | 4 |
| Grand Total | 1 | 4 | 6 | 6 | 0 | 17 |

Table 1. The number of risks within each directorate by risk score.

Key:   **CLC** – Communities Localities Culture directorate
       **D&R** – Development and Renewal directorate
       **ESCW** – Education Social Care and Wellbeing directorate
       **LPG** – Legal, Probity and Governance directorate
       **Resources** – Resources directorate

Compared with the same period in 2013, the number of corporate risks increased from 12 to the present 17. This is a direct result of the CMT review of corporate risks which has seen a number of new risks added that were of particular concern to the management team (e.g. information governance).

The corporate risks and current risk scores (as at 31/3/14) are shown below in Table 2.

3.10

| Risk Ref | Current Risk Rating | Risk Event | Directorate |
|---|---|---|---|
| RSB0019 | 15 | There is a risk that the Council may not be able to maintain financial viability/financial balance in 2015/16 and future years through to 2020. | Resources |
| ESWRS0001 | 15 | Council's inability to meet demand for school places | ESCW |
| DRA0016 | 15 | There is a risk that the Council may not be able to satisfy the rising housing need in the Borough | D&R |
| ESW0001 | 15 | Death or serious injury to a child or vulnerable adult that was or should have been in receipt of services, either from the council or a partner agency. | ESCW |

| | | | |
|---|---|---|---|
| DRD0010 | 15 | Council's estate not effectively managed | D&R |
| LPGLS0002 | 15 | Information Governance Framework may be viewed as not fit for purpose | LPG |
| PRPS0031 | 12 | Secondary legislation put in place by April next year stopping Local Authorities using CCTV for parking enforcement. | CLC |
| LPGSE0001 | 12 | There is a risk that the Council may not be able to achieve "One Tower Hamlets" and community cohesion | LPG |
| RSB0022 | 12 | Increased acts of significant fraud or corruption (both internal and external) | Resources |
| PPM0016 | 12 | There is a risk that the Council may not be able maintainits supply chain | Resources |
| LPGLS0001 | 12 | Non-compliance with corporate governance procedures | LPG |
| LPGCOM0003 | 12 | There is a risk that the Council may not be able to effectively manage the reputation of the Council | LPG |
| DRA0009 | 10 | There is a risk that the Council may not be able to deliver Decent Homes programme | D&R |
| CL0033 | 10 | Civil Protection and Business Continuity Plan There is a risk that, should a major incident take place affecting Council services, there will be insufficient back up arrangements in place. There is a risk to Town Hall services without the generator in place that services would cease to operate for the duration of any outage. | CLC |
| CL0031 | 10 | There is a risk that the 'Corporate Health and Safety' requirements may not be followed as stipulated. | CLC |
| ICT-SP0009 | 10 | There is a risk that the Council may not be able to maintain the expanded PSN (was GCSx CoCo) re-accreditation to allow central government connectivity/access. | Resources |
| DRF0006 | 8 | There is a risk that the Council may not be able to develop and improve the employment skills within the Tower Hamlets community | D&R |

Table 2 – Corporate Risk register summary

4.0     **Risk Management Support and Interventions**

4.1     An important role of the Risk Management team is to assist teams/services in using a Risk Management approach to help them deliver operational or project objectives.During 2013/4 the team has provided support to a number of areas within the council including Parking and Mobility Services, Information Governance and the Savings programme. Support can take various forms including the provision of advice and guidance as well setting up risk processes and training.

Below are two examples where the Risk Management's team has produced positive service improvements.

4.2     **Parking and Mobility Services:**This service adopted a thorough Risk Management approachacross all teams to ensure the delivery of its new vision and mission brought in by a newmanagement approach.

Risks for each objective in its Service Plan were formalised as part of the new Risk Managementinitiative with control measures initiated and put in place to mitigate the risks which have a largeimpact on the Council, service, community and environment. Risks were and continue to be monitored and managed by staff and managers across theservice and an increased fortnightly focus on risks in the Parking & Mobility Team Managementmeetings now take place.

The Risk Management team delivered training as part of a cohesive approach to ensure understanding and a correctapproach to Risk Management. As a result of this new approach it helped the service increase its efficiency and met all theobjectives included inthe 2013/4 Service Plan. Thisperformance has been recognised internally and externally and inparticular through becoming a finalist in the British Parking Awards 2014 in March, TowerHamlets Staff Awards and improved performance.

4.3     **Information Governance:Paper Based Risk assessment project.** The Risk Management team were requested to provide support to a project initiated by the Information Governance Group. The project was established to ensure that the council's paper based records were being handled appropriately (i.e. stored and destroyed in manner that did not compromise data integrity, or breach Data Handling procedures). It also supported the council's approach in complying with the Data Protection Act.

The Risk Management team provided a new risk process and supported briefing sessions for directorate representatives.  It also supported and chaired a Challenge group which scrutinised medium and high risk assessments with senior managers.

This Risk based approach proved remarkably successful. Directorates responded well to the provision of the risk information and achieved this within the required timescales. It enabled scrutiny of the full risk assessments and where appropriate amended them following appearance at the Challenge group.   A compliance report was produced for the council's Corporate Management team on 7 January 2014 and a review date set for

September 2014.

5.0    **Preparation and Publication of Risk Management Information**

5.1    The Risk Management pages on TH Net includes a wealth of information and tools concerning managing risk, which have been kept up to date. During  2013/4 the following documents have been added or revised:

- A quick reference guide to Risk Management (a  user friendly two page guide)
- A new Risk matrix
- Further guidance on how to use the JCAD Risk system
- Generic Service related risk assessments
- Training materials

However following recent comments from the senior management survey and training (see below) there is a need to provide additional information for managers. This will be part of the Risk Management team plan (see para 9.0 below)

6.0    **Risk Management Training**

6.1    Risk Management training is essential if managers and staff are to understand the benefits of this approach and use it to help make effective decisions and achieve directorate/corporate objectives. As a result a significant portion of time is devoted to this area. The following training was delivered or facilitated with others during 2013/4.

**Business Risk Management training staff**

6.2    In the early part of 2013 the Risk Management team completely revised the Business Risk Management for staff course which is part of the council's corporate training programme. The course was scheduled to run on a monthly basis up until December 2013. In the event 5 courses were delivered between May and October 2013. The delegate feedback from these courses was overwhelming positive. One delegate commented that *"…. it was the best course I have so far attended*". The course has been included in the 2014/5 corporate training programme.
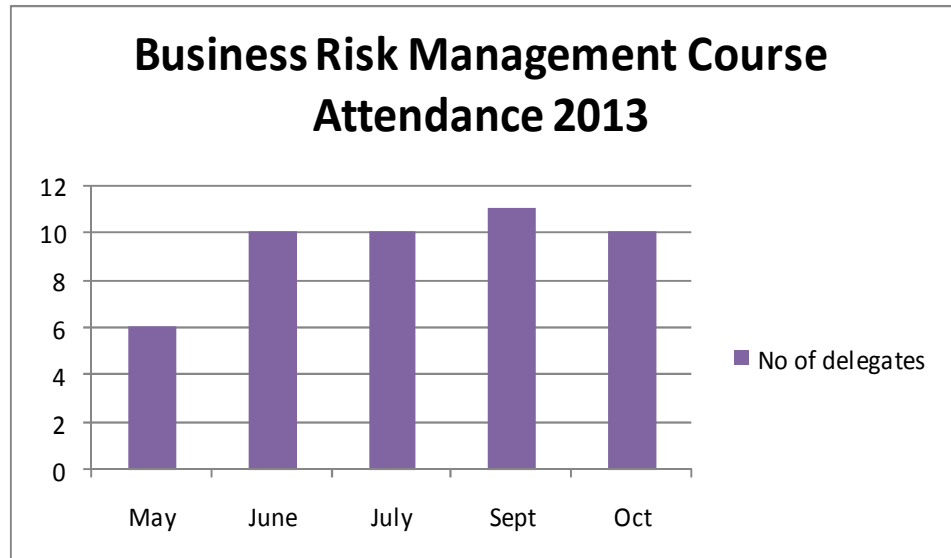
**Business Risk Management Course Attendance 2013**

Chart 1 – Business Risk Management course attendance 2013

**Senior Management Risk Management  training**

6.3　　In mid-2013, the Head of Paid Service instructed the Risk Management team to arrange Risk Management training for all 170 senior managers.

6.4　　As part of the ongoing work that ZM Risk Consultancy was undertaking with CMT, they were also commissioned to undertake this training assignment. The Risk Management team commissioned an initial series of 13 x 3 hour sessions which took place between January and February 2014. A further four sessions was added to the programme in March. So far over 80% of senior managers have attended. There are two more sessions to be run to mop up the remaining managers who may not have been available for a range of reasons. The training should be completed shortly.

6.5　　The training sessions were designed to meet the various learning styles using trainer input and questions, quizzes, video as well as a case study which provided opportunity for group working. The learning objectives of the training were for delegates to be able to:

- **Describe** the basic principles of risk management.
- **Explain** why risk management is important to them and the council.
- **Outline** their responsibilities for managing risk as a senior manager
- **Describe** the arrangements used by the council to support good Risk Management

6.6　　All delegates are requested to complete the council's course evaluation questionnaire and so far 126 forms (92%) have been completed.The overall score given for the course was 4 out of 5 (5 being the highest) and there was generally positive feedback from all delegates.

**E-Learning**

6.7    The council uses a Risk Management Information System, known as JCAD which is used to record and report on risks. The reports produced by this system are used to provide risk information to DMTs, CMT, MAB and the Audit Committee. An ELearning course has been developed to help train new users of the system as well as provide a refresher for existing users.   Pictured right is a screen shot showing part of the new ELearning module.
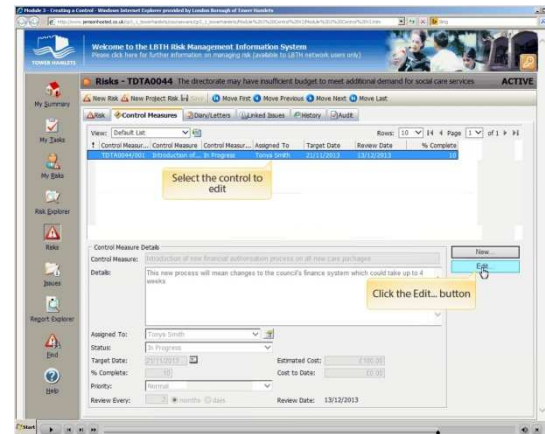


**Member Risk Management awareness**

6.8    In November 2013, a Risk Management and Anti fraud awareness session was organised  and delivered for members. Sadly there were only two attendees but they found the session useful and subsequently recommended that it should be added to the training sessions for new members. A further session has now been included in the member development programme for July 2014.

7.0    **Promotion of Risk Management**

7.1    This section highlights the promotional Risk Management activity which has taken place during 2013/4.

**Risk Talks**

7.2    Risk talks are regular, usually monthly, lunch and learn sessions and were initiated in May 2012. Their purpose being to bring life to Risk Management through the use of case studies, research, sharing best practice and updates all highlighting the importance and benefits of managing risk. The talks are advertised on the TH Net as well as targeted invitations being sentto officers. There is usually a mixed audience of senior managers, managers and specialist staff.

7.3    Since May 2012 there have been a total of 18 Talks with 689 officer attendances (an average attendance of 38) from across the council. Topics have included for example, the BBC and the Pollard Review report, managing reputation risk, Public Health, cyber security, legal updates and many more.  During 2013/4 there have been 8 events with a total attendance of 290 The chart below shows the event titles and attendances at each event.
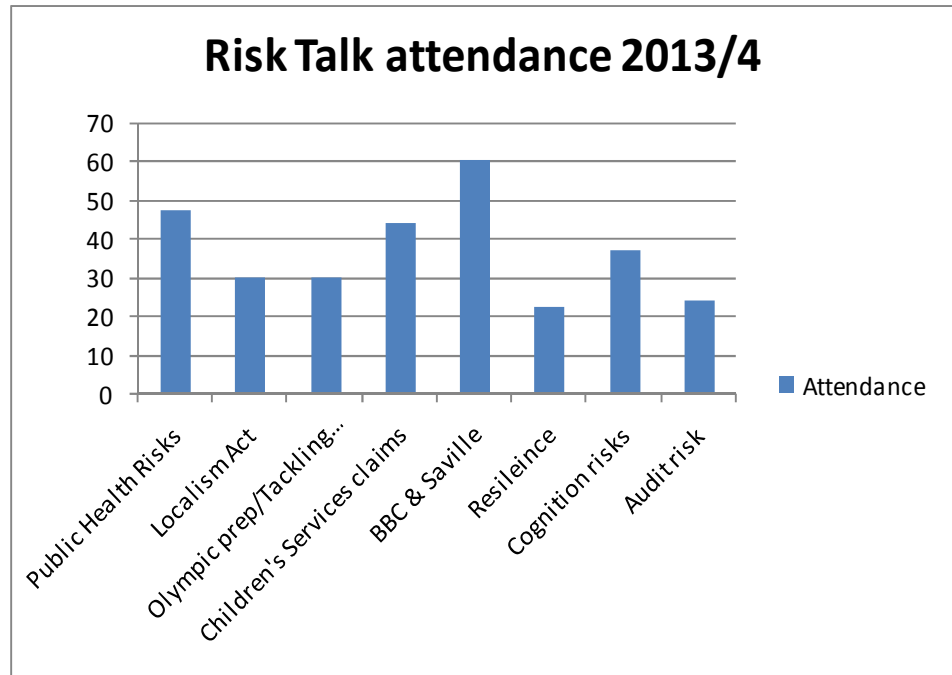
Chart 2. Risk Talk attendances 2013/4

7.4 By far the highest attended Talk (50) was that presented by Paul McCauley (pictured right), Head of the BBC Risk Management who discussed The Pollard Review (the issues surrounding the News Night programme and Jimmy Saville).One of the findings of the Review was that the BBC's programme risk system failed to escalate a risk concerning the News Night programme investigation to senior management.



7.5



One of the aims of the Risk Talks is to share good Risk Management practice. The Talk held in July 2013 provided a show case for the CLC Olympics 2012 team to present on their Olympics project which was aimed at ensuring that the council maintained its services throughout the Games period. The Risk Management work carried out in this project won Alarm's Strategic Risk Award in June 2013 (see para 7.7 below). Pictured left is Mark Edmonds, the council's Olympic2012 Project manager.

7.6 In addition to the Talks themselves there is usually an article produced in TH Now (see picture right  an extract from TH Now) which helps again raise awareness of topics across the council as well as Risk Management in general.  Most speakers usually produce PowerPoint slides and these are published on the TH Net Risk Management pages.



### Alarm Awards 2013

7.7 Alarm, is the Public Sector Risk Management Association, who have some 1000 members across the UK. Each year Alarm seeks to acknowledge good Risk Management practice of itsmembers through its awards scheme. The Risk Management team supported two entries in 2013. The first being from CLC for their Olympics 2012 Project (Strategic risk category) and the other for the Corporate Resources Anti-fraud work (Operational risk category). Both entries were nominated and the Olympics project won in the Strategic Risk category whilst the anti-fraud submission was highly commended in the Operational risk category.  Pictured left and below, centre, with their trophy and certificateis Ashraf Ali and Mark Edmonds (CLC) and on the right and below, centre, David Williamson and Paul Dudley, representing the anti-fraud team, receiving their certificate.




Strategic Risk Category Risk Winner :(Olympics)    Operational Category Highly Commended:  (Fraud)

### Senior Management Risk Management Survey

7.8 The Risk Management team conducted an online questionnaire of senior managers for their views about Risk Management within the council. The final results showed that 75 (44%) senior managers completed the online questionnaire. This is a good response rate for a survey of this kind.

7.9 The questionnaire was the same one used for the 2012 survey allowing comparison with the 2013 survey. Respondents were asked to state whether they agreed, disagree or "don't know" to a number of statements. In appendix 3, only the percentage who

agreed with each statement is shown. Highlighted in amber are the statements (six) that show a reduction of 10% or more compared with 2012, although this is from an already reasonably high level of "agreed" responses.

7.10 Managers were also able to provide comments on each of the questions and submit suggestions for improvements in the way that formal Risk Management was undertaken in the council. The key points highlighted were:

- There is good support amongst senior manager for Risk Management as a management tool to deliver on business objectives. Although some feel that it can be seen as a "bolt on" and lip service is paid to the process, rather than an aid to effective decision making and a worthwhile activity.

- There needs to be clear guidance on operation of the formal risk management process within directorates and how it links to the service planning process. (Note: this is additional guidance to that already provided in the Team planning guidance note)

- There needs to be more training opportunities for senior managers to learn about Risk Management and how it can help them in meeting their objectives together with simple and user friendly guidance, available on TH Net. The training needs to stress the benefits to the council and senior managers.

- There needs to be guidance on the recording of programme/projects risks within the JCAD risk system. At the moment it is optional and very few programme/project risks are recorded. (Note. There is now training on how to use JCAD on the council's ELearning platform)

## 8.0 Risk Management performance

8.1 This section provides evidence of the overall council performance of its formal Risk Management arrangements. Two areas are highlighted. The first is the council's Annual governance statement and also the result of the Alarm/Cipfa Risk Management benchmarking exercise in 2013. The evidence suggests that the council has good processes in place

### The council's Annual Governance Statement 2012/3

8.2 The Annual Governance Statement Report reported to the Audit Committee on 25June 2013 noted the following comments in regards the Risk Management arrangements.

*"The Authority has a Risk Management Strategy to identify and manage the principal risks to achieving its objectives. The principles of risk management are embedded in the Council's decision making processes. The Strategy recognises that when making decisions the Council may not always adopt the least risky option, particularly where the potential benefits to the community warrant the acceptance of a higher level of risk. All committee reports seeking decisions or approval to a proposed course of action contain an assessment of the risk involved and both financial and legal comments.*

*Key risks are recorded in corporate and directorate risk registers, which are subject to periodic review and reporting to the Corporate Management Team. Directorate Risk Champions oversee the continued development of the Council's approach to risk management."*

This conclusion is based primarily on Internal audit's review of the work undertaken by the Council.

**Alarm/Cipfa Benchmarking Club  2013**

8.3    The council is a member of the Alarm/Cipfa Risk Management Benchmarking clubwhich comprises over 50 local authorities and other public bodies. The council participated in the 2013 (May/June) Risk Management benchmarking exercise.

8.4    The Benchmarking Club uses a National Performance Model which is based on the highly respected tool developed by HM Treasury in 2002, 'Risk Management Assessment Framework'. It breaks down risk management activity into seven strands:

   • Leadership and management
   • Strategy and policy
   • People
   • Partnership, shared risks and resources
   • Processes and tools
   • Risk handling and assurance
   • Outcomes and delivery

8.5    The Risk Management team completed the self-assessment questionnaire and returned to Cipfa for analysis against the model. Table3 below shows that the council on all the seven strands has either a Working or Embedded and Integrated classification. Comparing the council's responses with the 2012 results, the overall direction in performance shows an upward trend. This is recognition of the Risk Management work undertaken by the team in the last 12 – 24 months.

8.6    The council was also compared with 5 other local authorities (London Boroughs). The comparison indicates that on five of the seven strands the council was slightly below the average although particularly strong on the Policy and Strategy and Process areas. The aim is to improve the council's scores all to Embedded and Integrated and where possible to Driving.  It is anticipated that with the measures taken in 2013/4 and those identified in the 2014/15 action plan, there should be some movement in this direction. The next Risk Management benchmarking exercise is due late summer 2014.

| Enablers | Awareness | Happening | Working | Embedded & Integrated | Driving |
|---|---|---|---|---|---|
| Leadership & Management | Awareness | Happening | **Working** | Embedded & Integrated | Driving |
| Policy & Strategy | Awareness | Happening | Working | **Embedded & Integrated** | Driving |
| People | Awareness | Happening | **Working** | Embedded & Integrated | Driving |
| Partnerships & Resources | Awareness | Happening | **Working** | Embedded & Integrated | Driving |
| Processes | Awareness | Happening | Working | **Embedded & Integrated** | Driving |
| **Results** Risk Handling & Assurance | Awareness | Happening | **Working** | Embedded & Integrated | Driving |
| Outcomes & Delivery | Awareness | Happening | **Working** | Embedded & Integrated | Driving |

**Level Guide:**

| | |
|---|---|
| Awareness | <20% |
| Happening | 20 - 45% |
| Working | 45 - 70% |
| Embedded & Integrated | 70 - 85% |
| Driving | 85%+ |

Table 3- LBTH Summary of Risk Management  Benchmarking results.

9.0     **Risk Management Team Plan 2014/5**

9.1     The Risk Management team plan 2014/15 is currently being finalised but it includes a number of actions to address some of the points above and made elsewhere in this paper:

- The council's Risk Management policy and manager's guide will be reviewed revised.

- Additional Risk Management training for managers is being offered together with a refresher for senior managers.

- Risk Talks will continue with regular features in TH Now.

- A new Risk Management ELearning course for managers will be produced

- A new Risk Management protocol will be developed to provide guidance on how Risk Management should be applied within directorates.

- Risk Management reports to Audit Committee will be increased from 2 to 4 per year. In addition Risk Management (and anti-fraud awareness training will be offered to members)