

Non-Executive Report of the: Audit Committee 8th December 2015	 TOWER HAMLETS
Report of: Zena Cooke - Corporate Director Resources	Classification: [Unrestricted or Exempt]
Quarter 2 Corporate Risk Register Update 2015/16	

Originating Officer(s)	Minesh Jani
Wards affected	All wards

1. Summary

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

- a) An update of the corporate risks as at the end of November 2015
- b) A summary of changes made to the register during the second quarter 2015/16.

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.

2. Recommendations

2.1 The Committee is asked to: -

- note the contents of this report;
- consider the corporate risks (Appendix 1) that the committee want to scrutinise; and
- request the risk owner(s) requiring further scrutiny to provide a detailed update on the treatment and mitigation of the risk including impact on the corporate objectives at its March 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.

The council has developed a formal Risk Management framework and processes which is 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 a 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.

Risk Management is an essential tool in managing the business of the Council, and as such, effective Risk Management allows the executive the opportunity to identify risks that may prevent the Council from achieving its strategic aims and objectives. The methodical consideration of risks and the design of how the risk will be mitigated as a proactive management tool is recognised as part of good governance by the Corporate Management Team and the Mayor’s Advisory Board. The Council’s process for reviewing and reporting risks also provides evidence in meeting its legal obligations under the Accounts and Audit Regulations 2015.

Corporate risks are those concerned with ensuring overall success of Council’s strategic objectives and the vitality of the organisation. Materialisation of such risks may have financial consequences; significantly affect the reputation and performance of the Council as well as potential health and safety impacts for its staff, and others. Each risk included on the corporate risk register is assessed and scored and a number of actions identified, these are recorded on the Council’s Risk Management information system (JCAD).

Risks that feature on the corporate risk register have been identified by CMT and also include risks that have met the corporate risk criteria and escalated by each directorate. These risks are considered by the Risk Champions group who review them before they are reported to CMT and MAB in the quarterly reports.

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 it did. Based on that assessment risks are classified as follows:

- **Red (Severe)** indicates that the risk is very significant and requires immediate 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 its significant business risks.

5. Details of Report

5.1 The Audit Committee requires the Head of Audit and Risk Management to provide a quarterly 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 10 risks; which are rated as one red and nine amber (see para 3.2 above for the risk definitions). This is broadly comparable with the corporate risk profile reported for quarter 1, 2015/16 which reported 10 amber risks.

	Quarter 2 2014/15	Quarter 3 2014/15	Quarter 4 2014/15	Quarter 1 2015/16	Quarter 2 2015/16
Red	0 (-1)	0 (0)	1 (+1)	1 (0)	1 (0)
Amber	10 (-7)	9 (-1)	9 (0)	9 (0)	9 (0)
Yellow	0 (-2)	0 (0)	0 (0)	0 (0)	0 (0)
Green	0	0 (0)	0 (0)	0 (0)	0 (0)
Total	10	9	10	10	10
Difference +/-	-10	-1	+1	0	0

Table 1 Corporate risks by Quarter

There has been no change in risk score to the corporate risks identified in the Quarter 1 report.

The table below is a breakdown of the number of corporate risks by directorate for quarter 2, 2015/6.

Directorate	8	10	12	15	20	Grand Total
ASD	0	0	0	1	0	1
CLC	0	1	0	0	0	1
CSD	0	0	0	2	0	2
D&R	0	0	0	1	1	2
LPG	0	0	3	0	0	3
Resources	0	0	0	1	0	1
Grand Total	0	1	3	5	1	10

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

Key: **ASD** – Adults Services directorate
CLC – Communities Localities Culture directorate
CSD – Children’s Services directorate
D&R – Development and Renewal directorate
LPG – Law, Probity and Governance directorate
Resources – Resources directorate

Risks aligned to Corporate Priorities

The table below shows the number of risks that are associated with a particular corporate priority. There are no risks identified against “A Prosperous Place to Live” and “A Healthy Community”.

Corporate priority	No of Q3 2014/15	No of Q1 2015/16	No of Q2 2015/16
One Tower Hamlets	6	6	6
A Safe and Supportive Community	1	1	2
A Prosperous Community	0	0	0
A Great Place to Live	2	2	2
A Healthy Community	0	1	0
Total	9	10	10

Table 3. The number of risks identified by Corporate priority

Changes to the Q2 Corporate risk register

The following section identifies the changes and movement in the corporate risk register since the last quarter report.

New risk

A new risk has been added as a corporate risk: -

DR0029 – Council is unable to identify a viable exit route from Mulberry Place that ensures staff are decanted by September 2019.

Corporate to Directorate Risk

PPM0016 – Failure of the Council’s supply Chain – considered as a directorate risk, to be managed by the Resources directorate.

Changes to risk triggers, consequences and control measures

The Risk Champions Group reviewed the corporate risk register and proposed the following changes to risks on the corporate register which was agreed by the Corporate Management Team (CMT) at its meeting on 18th November 2015: -

Risk	Current Risk Rating	Risk Event	RCG Recommendation	Directorate
ASD0015	15	Death or serious harm to a vulnerable adult that was or should have been in receipt of services, either from the council or a partner agency.	Control measures need to be reviewed and clarity required on how control measures mitigate risk.	ASD
CSDR0002	15	Councils inability to meet demand for school places	Content and quality of required control measures requires precision.	CSD
CSD0016	15	Death or serious harm to a child that was or should have been in receipt of services, either from the council or a partner agency.	Satisfactory – no issues raised.	CSD
LPGCOM0003	12	Failure to effectively manage the reputation of the Council.	Control measure and risk owner update required.	LPG
RSB0019	15	Maintaining financial viability/balance in 2016/17 to 2017/18	Satisfactory – no issues raised.	Resources
LPGSE0001	12	Failure to achieve community cohesion Radicalisation of young	LPG risk champion to liaise with risk owner for required update	LPG

		people and gangs	and clarification on whether this remains an LPG risk. Required controls need to be identified.	
DR0029	20	Council is unable to identify a viable exit route from Mulberry Place that ensures staff are decanted by September 2019	New Risk – to be considered at the next meeting	D&R
LPGLS0001	12	Non-compliance with corporate governance procedures	Satisfactory – no issues raised	LPG
DRA0016	15	Failure to meet the borough's housing targets	Satisfactory – no issues raised	D&R
CLSCEI0008	10	There is a risk that, should a major incident take place affecting council services, there may be a failure to implement an effective response.	Update required on control measures	CLC

Further, the Risk Champions Group noted the following: -

- There are currently 321 active risks on the Council's Risk Management Information Systems (JCAD) of which 131 are due for review.
- There are also 289 active control measures on JCAD of which 131 are due for review

Action - The Risk Champions will highlight its recommendations and the need for review of risks and controls with all relevant corporate directors.

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

- 7.1 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.

- 7.2 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.

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.

Linked Reports, Appendices and Background Documents

Linked Report

- None

Appendices

- Appendix 1 Corporate risk register
- Appendix 2 Risk Matrix

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