

Non-Executive Report of the: <b>Audit Committee</b> 20 <sup>th</sup> September 2016	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Zena Cooke - Corporate Director Resources	<b>Classification:</b> [Unrestricted or Exempt]
<b>Annual Risk Management Report 2016/17</b>	

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

## REASON FOR URGENCY

The reason the report was unavailable for public inspection within the standard timescales set out in the Authority's constitution because the initial draft report needed to be updated to reflected management comments and audit findings following the preparation of the initial draft. It is important the audit committee has an up to date understanding of the internal controls environment and the planned management action to allow it to appraise the Council's control environment.

The Chair of the Committee is satisfied that the report cannot be deferred to the next meeting on the 8<sup>th</sup> November 2016 as this would mean that that Committee will not be able to approve the draft Annual Governance Statement to meet the statutory deadline of 30 September. The findings arising from the quarterly assurance report and the annual risk report are also considered alongside the Annual Governance Statement.

### 1. Summary

1.1 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 Q1 2016/17 Corporate Risk Register
- 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.

## **2. Recommendations**

### 2.1 The Committee is asked to: -

- note the contents of this report;
- agree the actions highlighted at section 9;
- consider the corporate risks (table 2 on pages 7 and 8 of the attached paper) that the committee want to scrutinise; and
- request the 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.

## **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 2011 (as amended). 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.

### **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 adds any new or emerging risks.

New risks and key changes to current risks are discussed and challenged at Directorate and Corporate Management 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 the reporting of risks remains "live" across the organisation. Further information on risk reporting can be found in the council's risk management strategy 2015-2020 to be issued in September 2016.

The council's risk management policy and the risk management strategy are reviewed and refreshed annually. Both items are approved by the Corporate Management team and Audit Committee and are published on the council's website.

### **Risk Appetite**

In January 2016 the council's risk management team began work with Zurich Municipal to develop and expand the council's risk appetite statement and categories. A risk exposure vs risk appetite workshop is scheduled to take place with senior officers, Mayors Advisory Board, Overview and Scrutiny Committee and Audit Committee. The results will be analysed and used to form a refreshed risk appetite statement.

## **4. Annual Risk Management Report 2015/16**

4.1 The attached report sets out in some detail the following:

- a) The corporate risk process; and
- b) The current corporate risks.

## **5. Reasons for the Decisions**

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

## **6. Details of Report**

6.1 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.

## **7. Comments of the Chief Finance Officer**

- 7.1 There are no specific comments arising from the recommendations in this report.

## **8. Legal Comments**

- 8.1 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.
- 8.2 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.

## **9. One Tower Hamlets Considerations**

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

## **10. Best Value (BV) Implications**

- 10.1 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.

## **11. Sustainable Action for a Greener Environment**

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

## **12. Risk Management Implications**

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

## **13. Crime and Disorder Reduction Implications**

- 13.1 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 Management Policy Statement
- Appendix 2 Corporate risk register
- Appendix 3 Risk Management scoring 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