

Non-Executive Report of the: Audit Committee 31 January 2017	 TOWER HAMLETS
Report of: Zena Cooke – Corporate Director Resources	Classification: Unrestricted
Quarter 3 Risk Management update and Corporate Risk Register 2016/17	

Originating Officer(s)	Minesh Jani
Wards affected	All wards

Summary

The purpose of this report is to update Audit Committee of the Council's corporate risks. The Corporate Risk Register is attached at Appendix 1 for information. The Audit Committee is asked to note the Council's risk profile has not changed significantly over the last six months whilst examining if the risks register continues to capture the risks to the strategic objectives in 1.2 below. Direct that transformational risk is properly reflected in the council's risk registers.

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 contents of this report
2. Consider the corporate risks at section 4 of this report (and detailed in Appendix 1) and recommend changes and updates as necessary; and
3. 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 core statutory obligations; and
4. 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.
5. Endorse the actions set out in table of section 1.5 and for each Director to ensure corporate and directorate risks for their directorate are reviewed as and when due for review.

1. Background

- 1.1 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”.
- 1.2 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.

2. Reasons for the Decisions

- 2.1 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.

3. Details of Report

- 3.1 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.

- 3.2 Corporate risk register

The current risk register contains a total of 12 risks; which are rated as four red and eight amber (see para 1.2 above for the risk definitions).

The table below is a breakdown of the number of corporate risks by directorate for quarter 3, 2016/17.

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

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

4. DETAILS OF REPORT

4.1 The Council continues to face significant challenges given the current funding environment. Despite severe pressures on services and maintaining services to the most vulnerable, the council has to generate further savings and efficiencies at the same time. Given such circumstances, robust risk management is vital in order to meet such disparate challenges whilst maximising the achievement of the Council’s corporate objectives.

4.2 The strategic objectives within the Corporate Strategy are as follows:

1. Creating opportunity by supporting aspiration and tackling poverty
 - More residents in good quality, well paid jobs
 - Young people realising their potential
 - More people living healthily and independently for longer
 - Reducing inequality and embracing diversity
2. Creating and maintaining a vibrant, successful place
 - An improved local environment
 - Better quality homes for all
 - Reduced crime and anti-social behaviour
 - Engaged, resilient and cohesive communities
3. A transformed council, making best use of resources and with an outward looking culture

4.3 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.

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

Corporate Priority	No of Q4 2015/16	No of Q1 2016/17	No of Q2 2016/17	No of Q3 2016/17
Creating opportunity by supporting aspiration and tackling poverty	7	5	4	4
Creating and maintaining a vibrant, successful place	2	1	2	2
A transformed council, making best use of resources and with an outward looking culture	3	3	5	6
Total	12	9	11	12

Table 1. The number of risks identified by Corporate priority

Current Corporate risks

4.5 The table below sets out the council's current corporate risks and risk rating. It also shows current actions to be taken against each risk.

Risk	Post Mitigation Risk	Target Rating	Meeting update	Required Action
DRCPCCD0029 Failure to confirm the stage 2 Civic Centre client brief leads to the programme stalling and failing to meet its business case objectives.	Red	Red	New corporate risk	Require clarification on why it is a corporate risk.
DR0029 Council is unable to	Red	Amber	Risk reviewed	None.

identify a viable exit route from Mulberry Place that ensures staff are decanted by September 2019.				
REV0007 Impact on local income from appeals on the new local rating effective from 1/4/17.	Red	Amber	Risk reviewed	Recommended change in scoring of impact to 5 and the need to be reflected in MTFS.
CSDSC0004 Incidents of serious violence where young people known to or in the care (LAC) of the local Authority are harmed or perpetrate harm in a community setting.	Red	Amber	New corporate risk	Require clarification on why it is a corporate risk.
ASD0015 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.	Amber	Amber	None.	DMT review
CSD0016 Death or serious harm to a child that was or should have been in receipt of services, either from the	Amber	Amber	None.	DMT review

council or a partner agency.				
<p>CSDR0002</p> <p>Council's inability to meet demand for school places.</p>	Amber	Yellow	Control measures update	Risk owner update.
<p>RSB0019</p> <p>Maintaining and strengthen financial viability/balance in 2016/17 to 2017/18.</p>	Amber	Yellow	None.	None.
<p>CLB0019</p> <p>There is a risk that the Council may be challenged in Court for making a formal decision under the 1967 Act, to retain for educational purposes the newly constructed Christ Church Primary School's nursery building, which is built on a disused burial ground.</p>	Amber	Yellow	New corporate risk	Target dates required on control measures.
<p>CLSCEI0008</p> <p>There is a risk that should a major incident take place affecting Council services, there may be a failure to implement an effective</p>	Amber	Green	Risk owner update	Target dates required on control measures.

response.				
LPGLS0001 Non-compliance with corporate governance procedures.	Amber	Yellow	Risk champion to update	Control measures Update
LPGSE0001 Failure to achieve community cohesion. Radicalisation of young people and gangs.	Amber	Yellow	Risk champion to update	Risk owner update.

- Red – Severe
 - requires immediate attention
 - Serious concern. Comprehensive management action required immediately.
- Amber -Significant
 - action required but not immediately
 - Consequences of risk are of some concern although treating the risk will usually be through contingency planning. Risk to be kept under regular monitoring.
- Yellow – material
 - Consequences of risk are of some concern although treating the *risk will usually be through contingency planning.*
 - *Risk to be kept under regular monitoring.*
- Green – Manageable
 - *limited action required.*
 - *The risk is relatively low however risk should be monitored.*

Further, the Risk Champions Group noted the following and the Head of Audit and Risk Management will write to each director and seek that they are updated by the end of January at the latest: -

- There are currently 367 active risks on the Council's Risk Management Information Systems (JCAD) of which 105 are overdue for review. These should be reviewed and updated.

- There are also 332 active control measures on JCAD of which 141 are also overdue for review. These too should be reviewed and updated.

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

5. COMMENTS OF THE CHIEF FINANCE OFFICER

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.

6. LEGAL COMMENTS

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.

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.

7. ONE TOWER HAMLETS CONSIDERATIONS

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

8. BEST VALUE (BV) IMPLICATIONS

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.

9. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

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

10. RISK MANAGEMENT IMPLICATIONS

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

11. CRIME AND DISORDER REDUCTION IMPLICATIONS

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

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