


Non-Executive Report of the: Audit Committee 23 January 2018	 TOWER HAMLETS
Report of: Zena Cooke - Corporate Director, Resources	Classification: [Unrestricted or Exempt]
Quarterly Risk Management Update	

Originating Officer(s)	Minesh Jani
Wards affected	All Wards

Summary

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 Q3 2017/18 Corporate Risk Register and update since last reported in September 2017.

Recommendations

The Audit Committee is recommended to:

1. Note the corporate risks and recommend changes and updates as necessary;
2. Request risk owners(s) requiring further scrutiny provide a detailed update on the treatment and mitigation of the risk including impact on the corporate objectives at its next meeting; 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 objectives.

1. REASONS FOR THE DECISIONS

- 1.1 The report is brought quarterly to provide the Committee with an oversight of the authority's processes to facilitate the identification and management of the council's significant business risks.

2. ALTERNATIVE OPTIONS

- 2.1 None.

3. DETAILS OF REPORT

- 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 are 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 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.

The ongoing risk and assurance aims are:

- To give members and senior officers an understanding of the key risks facing the Council and its community, and to show how these risks are being responded to;
- To implement and maintain a fluid process for the everyday management of risks relevant to our objective's, outcomes, services and assets;

- To improve the Council's risk management culture and transparent ownership of risks and issues; and
- To continue to meet the requirements of our external auditor and compliance providers.

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

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

Corporate risk register

The current risk register contains a total of 13 risks rated as three red, seven amber and three yellow (see para above for the risk definitions and Appendix 4 for significance of risks).

The table below is a breakdown of the number of corporate risks by directorate for quarter 3, 2017/18.

Directorate	6	8	9	12	15	20	25	Grand Total
HAC	0	0	0	1	1	1	0	3
CSD	0	0	0	3	0	0	1	4
PD	0	0	0	0	2	0	0	2
GD	0	1	0	0	0	0	0	1
Resources	1	1	0	0	0	1	0	3
Total	1	2	0	4	3	2	1	13

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

Key: **HAC** – Health, Adults and Community directorate
CSD – Children’s Services directorate
PD – Place directorate
GD – Governance directorate
Resources – Resources directorate

The Council’s strategic priorities detailed within the Corporate Strategy are as follows:

Creating opportunity by supporting aspiration and tackling poverty

- A dynamic local economy, with high levels of growth that is shared by residents.
- Residents in good quality, well – paid jobs.
- Children get the best start in life and young people realise their potential.
- People are healthy and independent for longer.
- Gaps in inequality have reduced and diversity is embraced.

Creating and maintaining a vibrant and successful place

- An improved local environment
- People feel safe and places have less crime and anti-social behaviour.
- Better quality homes for all.
- Communities are engaged, resilient and cohesive.

Working smarter together as one team with our partners and community

- An enabling and efficient council.

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

Corporate Priority	Q4 2016/17	Q1 2017/18	Q2 2017/18	Q3 2017/18
<i>Creating opportunity by supporting aspiration and tackling poverty</i>	3	3	3	3
<i>Creating and maintaining a vibrant, successful place</i>	2	2	1	1
<i>A transformed council, making best use of resources and with an outward looking culture</i>	8	8	8	9
Total	13	13	12	13

Table 1. The number of risks identified by Corporate priority

Current Corporate risks

A summary of the Council's corporate risk registers is attached at Appendix 1. A detailed risk register is attached at Appendix 2, which sets out the nature of the risks and steps taken already to manage the risks and further actions planned to improve the management of the risk. Finally, the dashboard at Appendix 3 sets out the heat map of the Council's corporate risks and performance information in respect of the risks.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 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.

5. LEGAL COMMENTS

- 5.1 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.
- 5.2 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

6. ONE TOWER HAMLETS CONSIDERATIONS

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

7. BEST VALUE (BV) IMPLICATIONS

- 7.1 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.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

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

9. RISK MANAGEMENT IMPLICATIONS

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

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 10.1 There are no specific crime and disorder reduction implications arising from this report.
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Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Appendix 1 Corporate risk register
- Appendix 2 – Detailed risk register.
- Appendix 3 – Corporate risk Dashboard
- Appendix 4 – Risk 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:

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