

Non-Executive Report of the: Audit Committee Wednesday, 4 th December 2024	 TOWER HAMLETS
Report of: Julie Lorraine - Corporate Director, Resources	Classification: Open (Unrestricted)
Risk Management – Corporate and Directorate Risk Registers	

Originating Officer(s)	David Dobbs – Head of Internal Audit, Anti-Fraud & Risk
Wards affected	(All Wards)

Executive Summary

The management of risk is a key function for the Council. The Head of Internal Audit, Anti-Fraud and Risk co-ordinates risk management on behalf of the Council but the identification, assessment, justification, and mitigation of individual risks remains the responsibility of management and risk owners.

This report presents the Audit Committee with the opportunity to review the latest Corporate Risk Register (**Appendices A and B**).

It also sets out the proposed approach to Risk Appetite which will be incorporated and adopted within the Council’s updated Risk Management Strategy and Framework for presentation to the Audit Committee during 2025.

Recommendations:

The Audit Committee is recommended to consider and note:

1. The Corporate Risks (refer **Appendix A and B**), and where applicable request risk owner(s) with risks requiring further scrutiny to provide a detailed update on the treatment and mitigation of those risks including impact on the corporate objectives.
2. The latest updates to the Council’s Risk Management arrangements as described in this report.
3. The proposed approach in relation to the Council’s Risk Appetite within the development of a revised Risk Management Strategy and Framework.

1. **REASONS FOR THE DECISIONS**

- 1.1 The Audit Committee has responsibility for oversight of the arrangements for governance, risk management and control and this report assists the Audit Committee in discharging its responsibilities.

2. **ALTERNATIVE OPTIONS**

- 2.1 None.

3. **DETAILS OF THE REPORT**

Corporate Risk Register

- 3.1 The Risk Management team continues to work with Corporate and Service Directors to maintain the Corporate Risk Register. The summary register is attached at **Appendix A** and the detailed register at **Appendix B**. The Corporate Risk Register was last presented to CMT during November for review and agreement.
- 3.2 The Audit Committee should review the Corporate Risks and be satisfied that the risks are appropriate. In doing so the Audit Committee may wish to consider the following questions:
- a. Are these the key, corporate level risks that might prevent the Council from achieving its objectives?
 - b. Are there any key, corporate levels risks missing, bearing in mind there are many more risks being managed at Directorate and Service level?
 - c. Do you want to request any of the risk owner(s) to provide a more detailed update on the treatment and mitigation of their respective risk(s) including impact on the corporate objectives?
 - d. Do you require any independent assurance from Internal Audit or elsewhere that the corporate risks are being appropriately managed?
- 3.3 Since the last presentation of the Corporate Risk Register to Audit Committee all Risk Owners were asked to review and update their entries. During this period the total number of risks on the Corporate Risk Register has risen from 15 to 16.

Risks added/promoted to the Corporate Risk Register

- 3.4 *CS0014 – Compliance with the Protection of Freedoms Act*
This risk was removed from the Corporate Risk Register in October 2024 but has been reinstated as it is understood that there are some

residual compliance gaps requiring remediation. An internal audit of this area is underway, and its results will inform future risk assessments in this area.

Risks relegated from the Corporate Risk Register

- 3.5 None this cycle.

Other updates and developments

- 3.6 Risk Management training has been made available via the Council's Learning Hub. The course is designed to create a common understanding of Risk management and its practical application within the Council and to enable Risk Owners and Control Measure Owners to implement a consistent approach to the daily and periodic management of risks.

Risk Appetite

- 3.7 Following the external Heath-Check of the Council's Risk Management arrangements by Zurich Municipal which was reported to Audit Committee at its October meeting, work has continued to address the items in the Action Plan. This has included consideration of the updated Risk Management Strategy and Framework which will be consulted on and issued during 2025. This will include the Council's approach to Risk Appetite, with the proposed methodology set out below.
- 3.8 Risk Appetite can be defined as 'the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives'. In other words, an organisation's risk appetite is its risk capacity -- the maximum residual risk that the organisation will accept after controls are put in place.
- 3.9 Organisations will have different risk appetites depending on their sector, culture and objectives. A range of appetites exist for different risks, and these may change over time. The Council will seek to minimise taking any unnecessary risks or reduce risks to an acceptable level for a public body. It will also seek to take risks to achieve its strategic/corporate objectives, but these will be well considered before such risks are taken.
- 3.10 The Risk Strategy and Framework will set risk appetite levels for six categories of risk, and they must be applied to all risks. It varies according to the risk for example the Council would accept a greater amount of risk for areas of innovation than in those relating to compliance and regulatory activities.

Risk Appetite Category Identification

Risk Appetite Categories	Risk Description
Finance	Risks which focus on areas where financial features play an important part such as budget control and revenue generation.
Compliance/Regulatory	Risks relating to ensuring regulations, laws and guidelines that govern the business of the Council.
Contracts & Partnerships	Risks relating to the various contracts held within the organisation and the service which our customers receive. Also risks associated with working with private or public sector organisations to achieve common goals and objectives.
Safety & Safeguarding	Risks relating to provision of services to vulnerable adults and children provided by the Council. This would also include wellbeing and safety of residents.
Reputation	Risks involving, amongst others, the safekeeping and protection of all important data held within the organisation and the conduct of members & staff.
Innovation (Opportunity Risk)	Risks which focus on long term goals and plans.

Risk Appetite Matrix and Thresholds

3.11 Risk owners will be required to consider the residual/net risk score against the risk appetite threshold for its category. The threshold is represented by the vertical black lines in the matrix below. For example, innovation risks have a risk appetite threshold of 20 to 25, and safety & safeguarding have a threshold of 5 to 9. This means the Council will take higher risks to ensure innovation but will be less tolerant to risks concerning safety and safeguarding of its staff and citizens. A description of the Risk Appetite levels is included at **Appendix C**.

Risk Category	Avoid Risk Score 1-4	Minimal Risk Score 5-9	Cautious Risk Score 10-12	Open Risk Score 15-16	Seek Risk Score 20-25
Finance					

Compliance/Regulatory				
Contracts & Partnerships				
Safety & Safeguarding				
Reputation				
Innovation				

Future Directorate Risk Register Reviews

3.12 Although no risk deep dive will be presented to this meeting, the cyclical reporting of Directorate Risk Registers will continue, as set out below:

- Housing and Regeneration – April 2025
- Resources – July 2025
- Children’s Services – October 2025
- Chief Executive’s – January 2026
- Health and Social Care – April 2026
- Communities – July 2026

Risk Management Awards

3.13 During August, the Council’s Risk Management team was shortlisted in the Public Sector category at the annual Continuity, Insurance & Risk Management awards. The awards ceremony will be held in London on 27th November.

4. EQUALITIES IMPLICATIONS

4.1 There are no specific statutory implications.

5. OTHER STATUTORY IMPLICATIONS

5.1 The Accounts and Audit Regulations 2015 require authorities to ensure they have a sound system of internal control which:

- facilitates the effective exercise of its functions and the achievement of its aims and objectives;

- ensures that the financial and operational management of the authority is effective; and
- includes effective arrangements for the management of risk.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 There are no specific financial implications arising from the content of 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 and the appendices.

7. COMMENTS OF LEGAL SERVICES

7.1 The management of risk has a direct impact on the Council's ability to deliver its functions in a manner which promotes economy efficiency and effectiveness. Therefore, the consideration of this report demonstrates the Council's compliance with its Best Value Duty.

7.2 The Council is also legally required to ensure that it has a sound system of internal control facilitating the effective exercise of the Council's functions. This includes arrangements for the management of risk and an effective system of internal audit to evaluate the effectiveness of its risks management, control, and governance processes, taking into account the public sector internal auditing standards and guidance. This report also demonstrates compliance with these legal duties.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

A: Summary Corporate Risk Register

B: Detailed Corporate Risk Register

C: Risk Appetite Level Descriptions

Local Government Act, 1972 Section 100D (As amended)

List of "Background Papers" used in the preparation of this report

- NONE

Officer contact details for documents:

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