Risk Management Annual Report 2021-2022

The best of London in one borough

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1. Introduction

1.1 The Accounts and Audit Regulations 2015 require that a relevant authority must ensure that it has a sound system of internal control which:

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

b) ensures that the financial and operational management of the authority is effective; and

c) includes effective arrangements for the management of risk.

1.2 The terms of reference of the Audit Committee state the committee has responsibility for providing independent assurance for Members over the adequacy of the risk management framework and the internal control environment. It is responsible for monitoring the effective development and operation of risk management in the Council and progress in addressing risk-related issues reported to the committee.

1.3 This report summarises the risk management activity undertaken during 2021-2022 and supports the Audit Committee in discharging its responsibilities.

2. Risk Management Strategy

2.1 Management has articulated a 5-year risk management strategy that was updated and ratified by CLT and the Audit Committee during 2020/21. The strategy sets out a formal and structured approach to identifying, assessing, managing, and reporting risk within the Council and describes six objectives:

1) Ensure that risk management effectively supports corporate governance arrangements in the Council.

2) Maintain and Improve leadership and collaboration of risk management activity across the Council.

3) Integrate risk management into the culture of the Council as well as into its key management processes, programmes, projects, performance and financial management.

4) Ensure that the risk management process for identifying, evaluating, controlling, reviewing, reporting and communicating risks across the Council is in line with best practice, consistently applied, understood and owned by all staff.

5) Ensure that the Corporate leadership team, Directorate leadership teams, Audit Committee, Mayors Advisory Board, external regulators, and other stakeholders obtain necessary assurance that the Council is managing and mitigating its risks effectively.

6) Continuously improve risk management through learning and experience and actively communicate LBTH risk management approach to all employees and stakeholders.

3. Roles and Responsibilities

3.1 Effective risk management is a key responsibility of staff and managers across the Council. Group and individual responsibilities are summarised below:

Audit Committee

- Provide independent assurance for Members over the adequacy of the risk management framework.
- Monitor the effective development and operation of risk management in the Council and progress in addressing risk-related issues reported to the committee

Corporate Leadership Team

- Overall accountability for risk management and the risk appetite across the Council including ensuring the corporate risk register is a live and up to date record of the current risk exposure.
- Set the tone for risk management, promote the benefits of effective risk management and lead by example in embedding the risk management framework.
- Owns individual corporate risks (as delegated by the Chief Executive) and approves corporate risks when escalated from directorate management teams.

Directorate Leadership Teams

- Ensures the directorate and services are identifying and managing corporate, strategic, operational, project and partnership risks effectively.
- Take ownership for risks within their function and ensure risk registers are regularly discussed, reviewed, updated, and escalated as appropriate.
- Champions the benefits of effective risk management.

Risk Champions (One in each directorate)

- Promote, steer, and monitor risk management for their directorates.
- Regularly discuss and review the corporate and directorate risk registers and associated risk reports.

Risk Management Team (Part of Internal Audit, Risk & Anti-Fraud)

- Supports the Corporate and Directorate Leadership Teams to implement the risk management strategy, policies, and guidance.
- Develops and agrees plans with management to improve risk management across the Council.
- Develops risk management guidance and training and supports risk and control owners in delivering their role.
- Carries out ongoing reviews of risk management process, benchmarking, scrutiny, and challenge.
- Provides administration for the Council's risk management software (JCAD).

4. Risk Management Audit and Action Plan

4.1 Council's approach to risk management was audited in early 2020, the outcome was reported to CLT and the Audit Committee. The audit resulted in a spilt assurance opinion. The auditors assessed the design of the Council's approach to risk management as substantial but its application/operation as limited. Whilst the framework, strategy and procedures are well documented, compliance with these was variable across the Council and review and engagement with risk management by directorates required improvement. The report was presented to CLT in March 2020 and CLT gave a firm commitment to improve risk management across the Council.

4.2 The recommendations arising from the audit were accepted on behalf of CLT by the previous Head of Internal Audit and an action plan was developed (see Appendix B for progress). Progress has been slower than anticipated due to a lack of risk-focused resource and other priorities, however 75% of the actions have been completed to ensure risk management has improved since the audit was undertaken. The outstanding actions will be carried forward in to 2022/23. These focus more on increasing awareness and supporting the Council on its risk maturity journey, and can be summarised as:

- Provide annual risk management awareness/training to Divisional Leadership Teams and wider management groups across the authority through risk workshops, bespoke training, e-learning and drop in Risk Talks.
- Refreshing and re-energising the Directorate Risk Champions network to support risk maturity across the Council and help to co-ordinate and support more periodic new risk identification exercises within each Directorate.
- Review JCAD and ensure it remains fit for purpose and useful in supporting the Council in managing its risks, sourcing an alternative if needed.

5. Risk Management Activity during 2021-2022

5.1 During 2021/22, risk management has continued to be a key feature of the Council's response to the Covid-19 pandemic. Bespoke risk registers were created and continued to be actively managed by the Bronze, Silver, and Gold command groups with the frequency of activity stepped up or down as the risks fluctuated. These registers provided clear operational and strategic oversight of risks and their mitigating actions. It demonstrated how well, as an organisation, risk management could and should be undertaken and has aided the Council on its risk management journey.

5.2 At the end of March 2022, these risk registers were retired as a result of Gold meetings concluding, and the number of risks on the risk register thankfully reducing. There were three risks, which due to their rating, were moved onto JCAD (the Council's risk management software) to be managed as part of business as usual.

5.3 In addition to the bespoke risk registers, efforts have continued to be made by all directorates to update their respective business as usual risks, remove out of date and immaterial risks, and review the registers on a more regular basis (at least quarterly).

5.4 A summary of other activities that have taken place during 2021/22 follows:

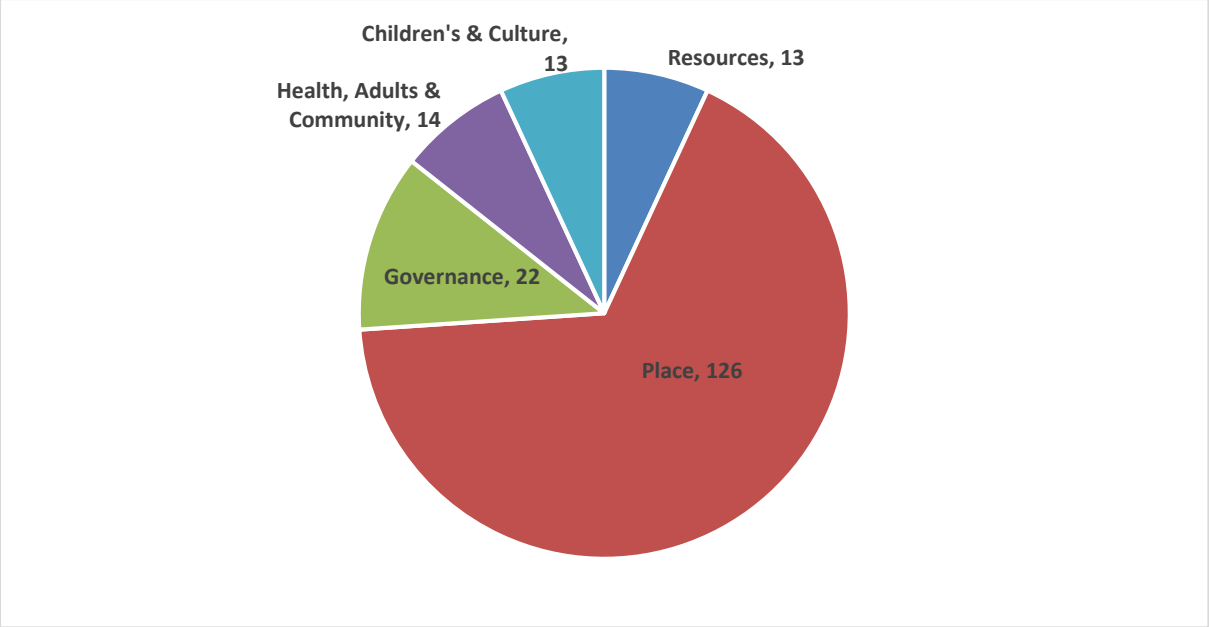
- The Corporate Leadership Team were requested to ensure risk management features at least quarterly on their Divisional Leadership Team meeting agendas. Regular reporting has gone monthly for the likes of Resources, and Children's & Culture, as a result.
- The Directorate Risk Registers for Place, Health Adults and Community, Children's and Culture, Governance and Resources have all been reviewed and actions identified to update and/or close out of date active risks.
- Both the Joint Health and Safety Committee and the Civil Contingencies Board have continued to receive regular risk reports in their respective areas, with the Head of Internal Audit, Anti-Fraud and Risk present at these meetings.
- The Audit Committee has been regularly presented with the Corporate Risk Register as well as each Directorate risk register on an agreed rolling timetable. At the time of collating this report, each Directorate's risk register had been presented to the Audit Committee at least once over the past 12 months.

6. Current Risk Profile

6.1 The Council's risks are primarily recorded, managed, and monitored using JCAD (our risk management software). The system allows risk registers to be produced as well as individual risks to be managed.

6.2 There are currently (as of 25 October 2022) 188 active risks recorded across the directorates and they can be further analysed as follows:

Chart 1 – Risks by Directorate



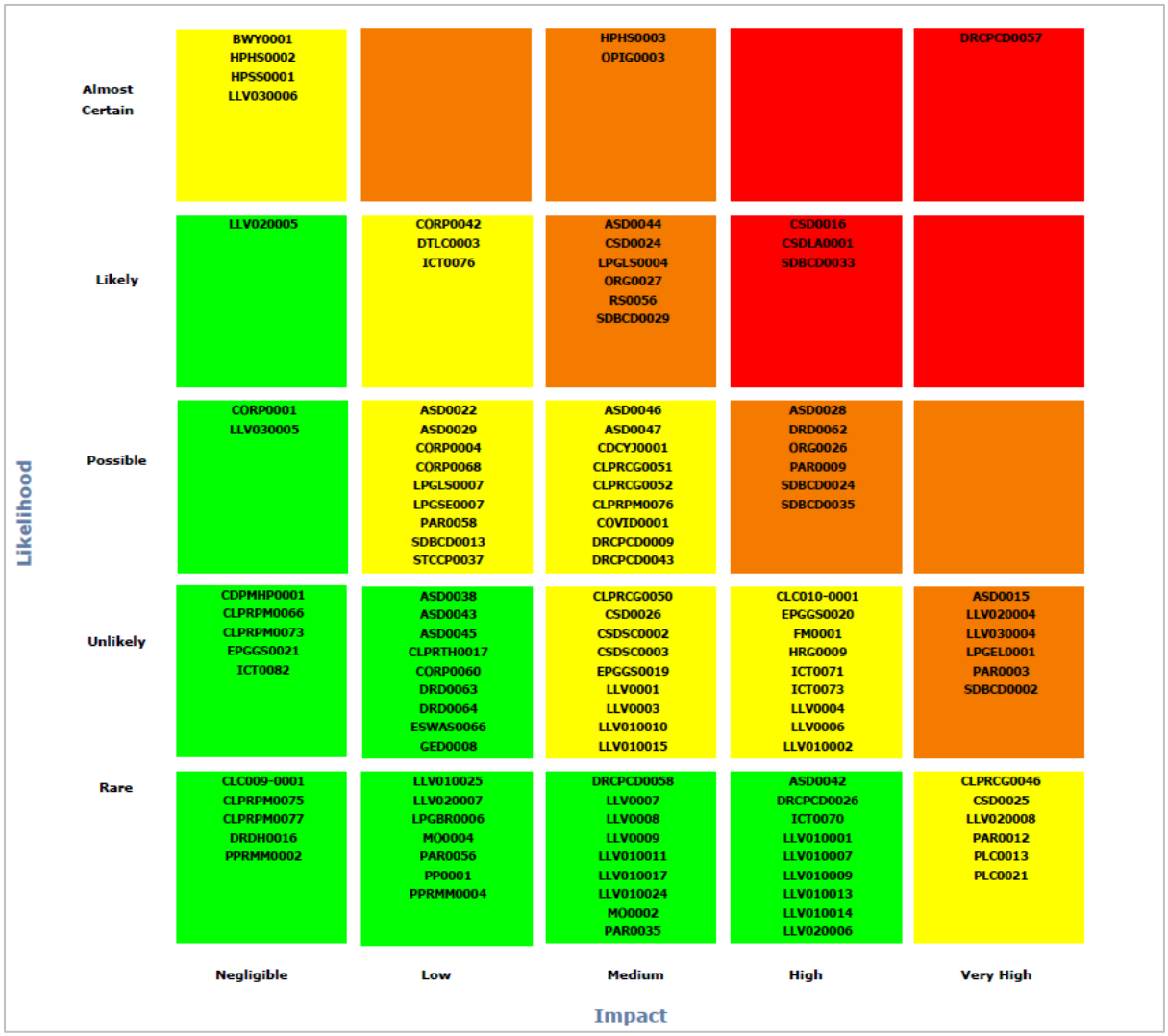
6.3 Risks are assessed based on likelihood and impact resulting in an overall score ranging from 2 to 25. The following table shows the average risk rating per directorate.

Table 1 – Average Risk Rating by Directorate

Directorate	Average risk rating – 2021/22	Average risk rating – 2020/21
Children's & Culture	13	12
Place	10	11
Governance	10	10
Resources	13	10
Health, Adults and Community	11	10

6.4 The following heatmap shows a summary distribution of risks across the Council. Further details of the top-rated corporate risks (red) are provided at Appendix C.

Chart 2 – Heatmap of Risk Profile



6.5 The most significant risks faced by Directorates and the Council as a whole feature on the Directorate and Corporate Risk Registers which are reviewed regularly by DLT, CLT and the Audit Committee.

6.6 Each risk and the associated actions to mitigate the risks, referred to as 'Controls' on JCAD should be reviewed regularly. The following charts show the distribution of risks and control review activity.

Chart 3 – Risk Review Profile

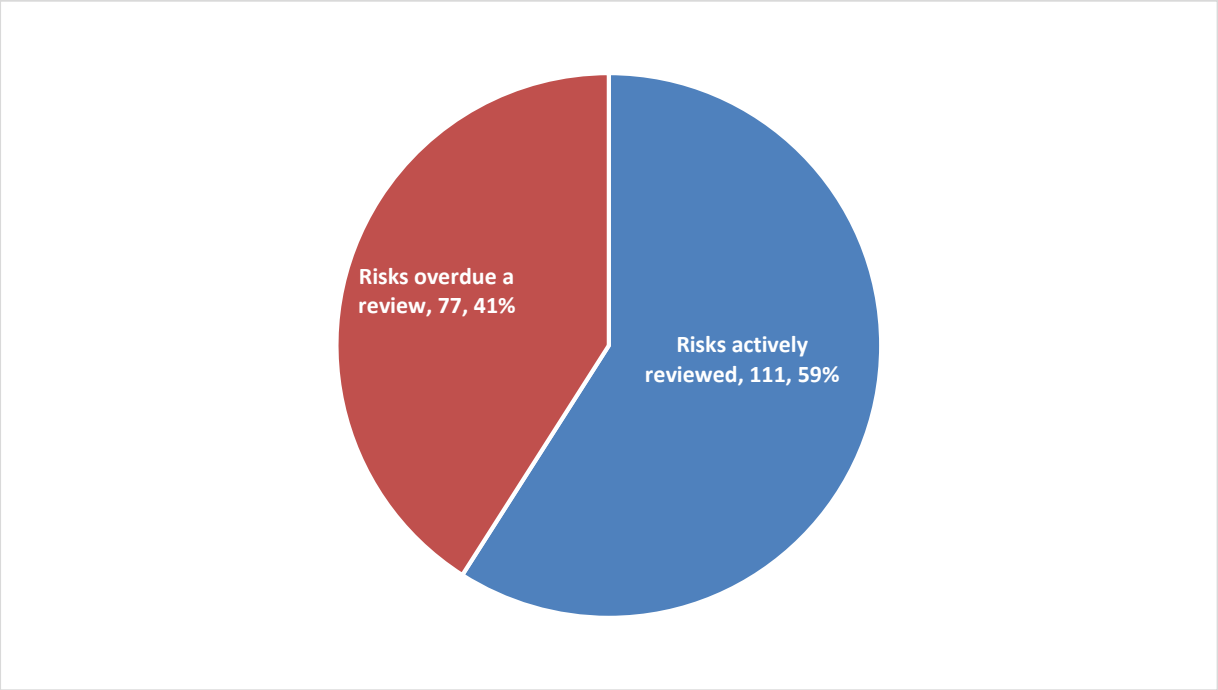
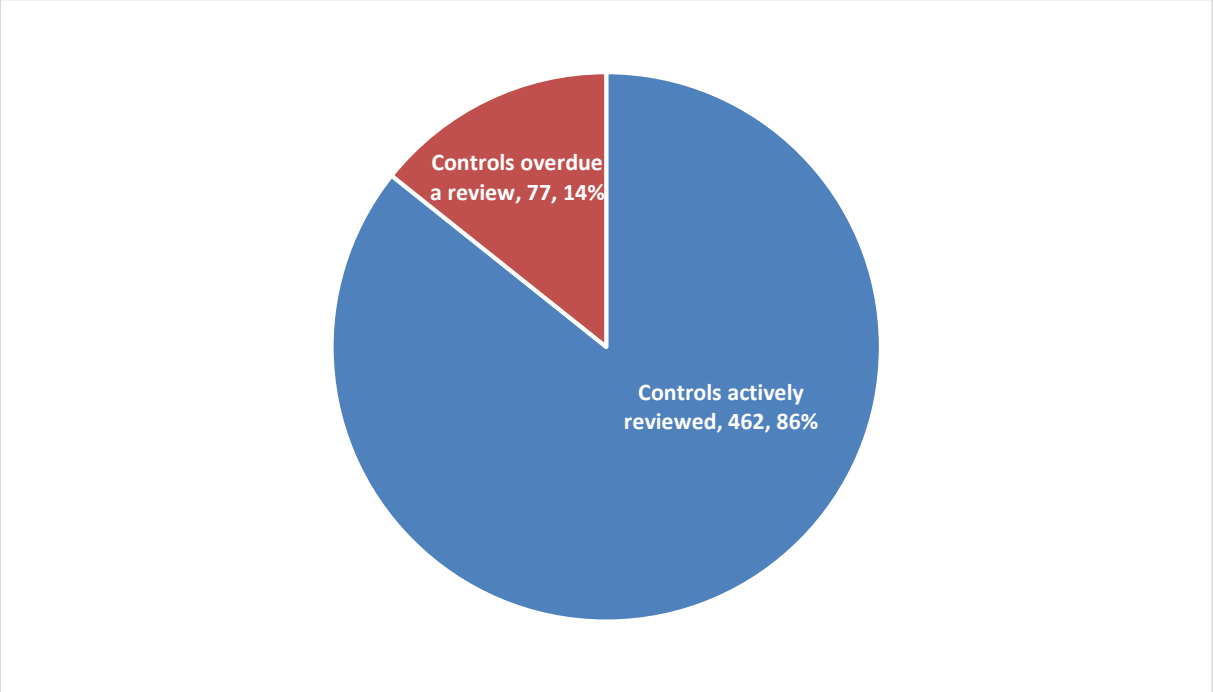


Chart 4 – Control Review Profile



6.7 Whilst there has been an improvement in reducing the overdue risk and control reviews, it's clear from the above charts that some work is required to review risks more regularly and to a lesser extent the mitigating actions. This information will feature in risk reports for DLT's throughout 2022/23 to support oversight and increase the frequency of risk reviews.

7. Risk Management Annual Plan

7.1 Whilst not a statutory requirement, it is considered best practice to prepare a plan that outlines activity to continuously improve risk management. In the corresponding report for 2020/21, the previous Head of Internal Audit, Anti-Fraud and Risk created a Risk Management Action Plan for 2021/22. The plan, which is summarised below, was agreed by the Audit Committee but its completion was subject to the successful recruitment of both a Risk & Insurance Manager and a Risk Officer.

7.2 Unfortunately, despite running recruitment campaigns for both roles, the Council was unsuccessful in recruiting to either role during 2021/22. As a result, this lack of specialist resource has impaired the delivery of the proposed plan.

7.3 It is proposed, as the actions remain relevant and will aid the Council in addressing previous risk management audit recommendations, but also develop risk awareness and maturity further across the Council, that they are rolled forward into 2022/23.

Table 2 – Risk Management Action Plan – 2022/23

Objective	Action
Maximise the contribution and impact of Risk Champions.	Hold Regular Risk Champion meetings throughout 2022/23 and keep the role and number of Champions under review and adapt/improve where needed.
Improve the use of JCAD and the quality of the risks and controls recorded.	In consultation with the Risk Champions group, develop a desk top aide for recording, updating, and withdrawing risks on JCAD.
Review JCAD.	Review JCAD and whether it remains fit for purpose and useful in supporting the Council in managing its risks. Undertake soft market testing to explore alternatives systems, including those already owned by the Council such as Pentana Risk. If appropriate, produce a business case to purchase and new Corporate Risk Management System or move to an alternative provider such as Pentana Risk.
Promote effective risk management.	Provide annual risk management awareness/training to Divisional Leadership Teams and wider management groups across the authority through risk workshops, bespoke training, e-learning and drop in Risk Talks.

Objective	Action
	At least one training session to be provided at each DLT and one optional session for CLT. Quarterly drop-in sessions to be provided for any other staff involved in Risk Management. Risk Management Team to maintain records of attendance. Launch Risk Management e-learning module.
New Risk Identification	On at least a biannual basis, in conjunction with the Directorate Risk Champions, coordinate and facilitate a new risk identification exercise with each Directorate.
Quality Review of Risk Entries	On a quarterly basis select a sample of individual risks and review the entries on Council's Risk Management System to ensure they are complete, accurate, up-to-date, and reflective of the Council's risk appetite. Provide feedback to the Risk and Control owners so they can take appropriate action to rectify any deficiencies.

8. Conclusion

8.1 Risk management remains an important feature of good governance and the Council's approach to risk management has built on the successes the previous year (2020/21) with proactive risk management continuing during the response to Covid-19 pandemic. The current risk management arrangements are reasonable, but there is room for improvement to better integrate risk management into the day-to-day operations and the culture of the Council. This will be a key focus of work during 2022/23.