



# **Risk Management Annual Report 2023-24**

## 1. Background

### Introduction

- 1.1 Risk is inherent in running any business – understanding those risks and knowing how much risk to take is often the difference between success and failure. Many high-profile failures in organisational governance have shone a light on Risk Management and heightened the expectations on senior management for not only understanding and approving Risk Management processes, but also identifying and assessing key risks. This has led to the practice of Risk Management evolving into a more fully developed, integrated process in which senior management, directorates, service managers and the risk team all have distinctly defined roles – this approach has informed the Risk Management strategy at the Council.
- 1.2 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.

### Audit Committee

- 1.3 The terms of reference of the Audit Committee state that 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.
- 1.4 This report summarises the Risk Management activity undertaken during 2023-24 and supports the Audit Committee in discharging its responsibilities.

## 2. Risk Management Strategy

### Approach

- 2.1 Management has articulated a five-year Risk Management strategy that was updated and ratified by CMT 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 Management Team, Directorate leadership teams, Audit Committee, Mayor's 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 the LBTH Risk Management approach to all employees and stakeholders.

### 3. Risk Management Audit

#### Recent audits

- 3.1 The Council's approach to Risk Management was subject to an outsourced audit review in early 2020, with the outcome reported to CMT and the Audit Committee. This resulted in a split 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. However, progress in implementing the improvements was impacted by the Covid-19 pandemic, which required the Council to prioritise a very specific set of operating responses outside of the BAU Risk Framework.
- 3.2 A further review was undertaken by the [then] new Head of Internal Audit in July 2023. This concluded that *'... the [current] position at the Council is that Risk Management practices are established but not fully embedded and mature. Moreover, there are inconsistent levels of engagement in the underlying processes (reviewing risk articulation, updating controls, removing redundant risks), and consequently there is limited confidence that the underlying risk data held on JCAD is accurate and useful as a tool for managing risk.'*

#### Previous actions

- 3.3 The audit review that was completed during 2023 included six key actions that were agreed with CMT and the Audit Committee. These actions are listed in **Appendix 1**, which also includes details of how they have been progressed during 2023-24 and their current status. **Section 5** of this report provides details of the priority areas for action that will be taken forward during 2024-25.

### 4. Risk Management Activity during 2023-24

#### Challenges

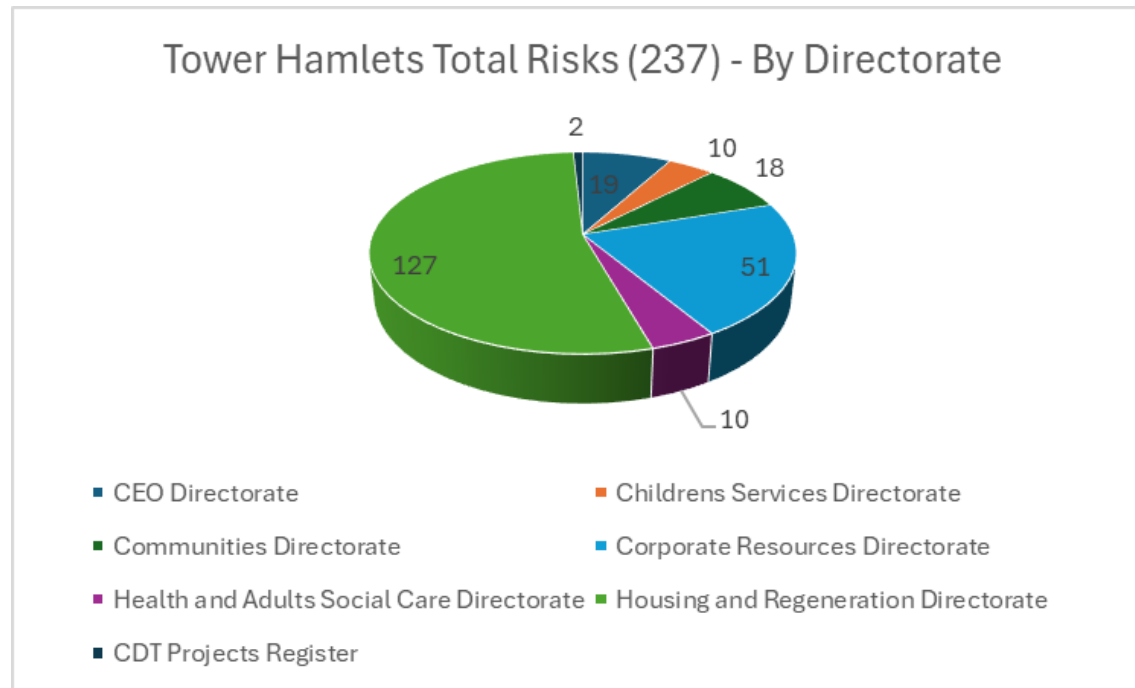
- 4.1 There have been many challenges during 2023-24, with an organisational restructure and numerous changes in nominated risk and control owners. Despite this, there has been good traction in improving the Council's Risk Management arrangements during the year and notable activity during this period has included:
  - The JCAD software was upgraded from Version 4 to Version 5 in June 2023 providing enhanced features and a refreshed user interface
  - Recruitment for Risk Officer post completed in November 2023 and the Officer commenced in post during February 2024
  - In April 2024, the Pension Fund's Risk Register was integrated to JCAD, after previously being held separately

- Extended outreach provision and development of key internal stakeholders e.g. Health and Safety, Civil Protection Unit, Business Continuity
- All former THH staff have been migrated to the Housing and Regeneration Business unit within JCAD. The risks formerly held by THH have been rationalised and migrated to the appropriate LBTH risk registers.

4.2 The focus of the Risk Officer has been to assist Directorates in reviewing and rationalising Directorate and lower-level registers, to review and improve data quality and integrity on JCAD and to roll out basic system user training to Risk and Control measure owners. Training has also included 1 to 1 sessions with users and making available on-demand training videos via the Council’s intranet, The Bridge.

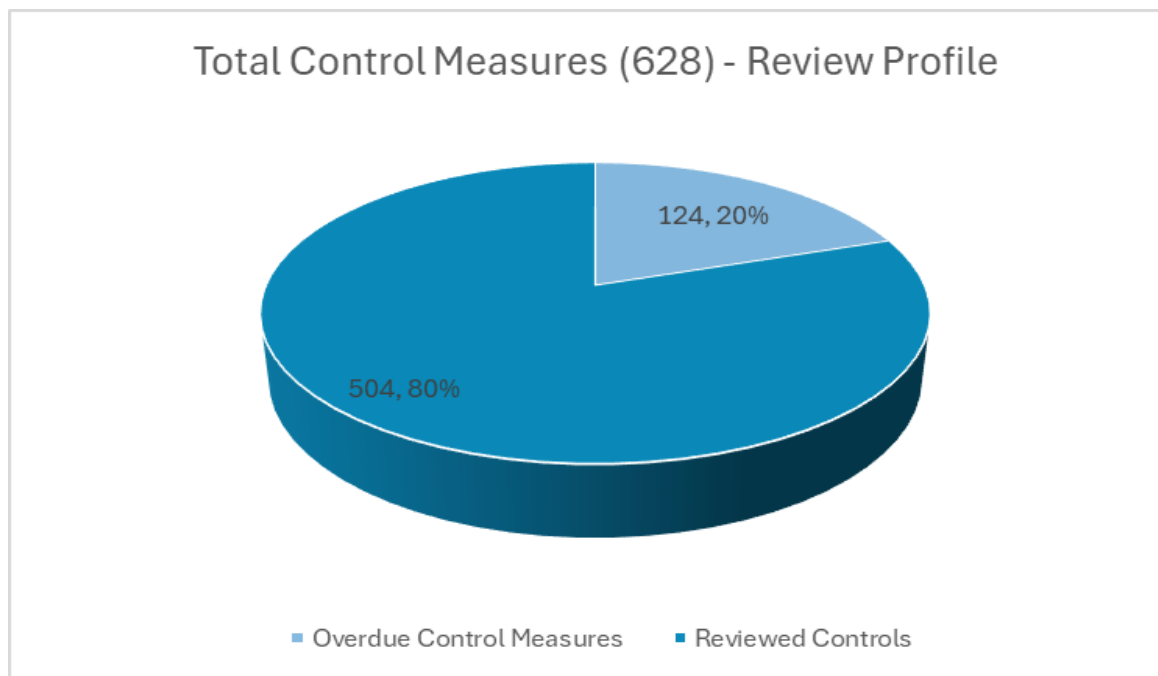
**Current position**

4.3 A summary of the Council’s current Corporate Risk Register is included at **Appendix 2** to this report and the organisational Heat Map is shown at **Appendix 3**. At the time of drafting this report, there are 237 active risks and 628 Control Measures recorded across the directorates, and they can be further analysed as follows:



\*CDT = Capital Delivery Team

4.4 As previously noted in last year's report, it is evident from the diagram below that not all mitigating controls recorded on JCAD are being reviewed and updated in a timely fashion. An improvement has been made in ensuring control measures are regularly reviewed and monitored. Last year, 40% of control measures were not being monitored in a timely manner. This has reduced to 20% this year and work is continuing to assist Directorates in ensuring that relevant risks and control measures are in place and monitored in line with recommended practices.



## 5. Planned Activity for 2024-25

### New strategy

- 5.1 Risk Management is a key feature of good governance and the Council's current approach relies on established processes and risk infrastructure. A key element of work during 2024-25 will be to fundamentally review and update the Council's Risk Management methodology and infrastructure as part of developing a new five-year Risk Management strategy.
- 5.2 The new Strategy will be developed in consultation with the Council's Corporate Management Team and to support and facilitate this exercise, the Council's main insurer, Zurich Municipal has been engaged to:
- Assist in reviewing framework and strategy, to undertake a 'health-check and to set out a road map to excellence.
  - Consider how to build a strategy that is consistent with the Council's risk appetite and target risk culture
  - Mentoring for the Risk Officer
  - Provide training for Members on the basics of Risk Management and their role/responsibility as members of the Audit Committee

### Other planned developments

- 5.3 Training will continue to be a priority area for 2024-25 and JCAD system training will be delivered to all Risk Owners and Risk Control Owners. A 'risk talk' programme will also be developed as a forum for learning and discussion in a group setting. As noted in **Appendix 1** the reconstitution of the Risk Champions group is also under consideration.
- 5.4 Other work will entail using the risk data from JCAD to provide better user insights and trend analysis. To this effect, Microsoft Power BI (a tool that helps users visualize data in a way that's easy to understand) will be utilised to help create interactive dashboards and reports that can help users gain insights and make informed decisions

## 6. Conclusion

- 6.1 While good progress has been made to re-energise and improve the Risk Management arrangements during 2023-24, there is still work to be done to further embed the risk management framework within the Council's culture and organisation. Improvements have been seen in many areas but there is still work required to ensure that the Council has the right tools, knowledge and support to effectively manage risks. By redrafting the framework, strategy and policy statement, and by delivering appropriate Risk Management Training we will provide a solid foundation for our Risk Owners and Audit Committee to work from.

| # | Action  | Progress  | Status      |
|---|---|---|-------------|
| 1 | Permanent recruitment to the post of Risk Officer to be initiated by Internal Audit during 2023.  | A Risk Officer was recruited internally and in post from 1 <sup>st</sup> February 2024.   | Complete    |
| 2 | Data held in JCAD to be reviewed in conjunction with DLTs and cleansed appropriately (e.g. to remove redundant risks, update user access etc).  | The Risk Officer has been meeting with Directorates and holding follow up with meetings with Directorate Leadership Teams.<br><br>Following the insourcing of THH, focus has been on the Housing and Regeneration Directorate and good progress has been made to bring the divisional and service level risks up to date.   | In Progress |
| 3 | 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.  | One-to-one JCAD system training between the Risk Officer and Risk Owners has commenced. This is being offered to all Risk or Control Owners to support their use of the system on a needs/request basis. Wider training will commence once the Risk Management Health Check that is currently being conducted by Zurich Municipal has been completed.   | Started     |
| 4 | 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.  | This will be considered as part of the updated Risk Management strategy due in 2024/25.   | Not Started |
| 5 | Review the functionality of JCAD and ensure it remains fit for purpose and useful in supporting the Council in managing its risks, sourcing an alternative if needed. This will include consideration of how other Councils have successfully utilised JCAD.  | The JCAD Support Team are working with the Risk Officer during June & July 2024 to adjust/customise the system so that it is fit for LBTH current requirements. Whilst some changes have been made since Risk Officer commenced in post, the system is still very much set to historic requirements and support will be needed to bring the system in line with current objectives and risk appetite. | In Progress |
| 6 | Enhanced quarterly reporting of the Corporate Risk Register to CMT to implemented to include consideration of:<br><br>- Decision-making on the addition/removal of individual risks to/from the Corporate Risk Register<br><br>- Systematic horizon scanning to inform CMT discussion on new /emerging risks (e.g., regulatory, or technological developments)<br><br>- Deep dives on individual risks from the Corporate Risk Register | This is being actively progressed through the development of reporting templates and cyclical reporting to DLTs and other teams.<br><br>Horizon scanning is under development.<br><br>Deep dives are in for Directorate Risk Register, with deep dives for individual Corporate Risks under consideration.  | In Progress |

| #  | Risk Reference | Risk Definition  | Date Entered to registers | Date Elevated to Corp Level | Original Risk Score | Current Risk Score     |
|----|----------------|--|---------------------------|-----------------------------|---------------------|------------------------|
| 1. | CSD0016        | Death or serious harm to a child that was or should have been in receipt of services, either from the council or a partner agency. There is an on-going need to ensure that services to all vulnerable children and young people have a focus on safeguarding and prevention of harm.  | 15/05/2013                | 05/03/2014                  | 15                  | 20 (Set on 17/06/2024) |
| 2. | CLSCCB0012     | Major Health and Safety Incident affecting Council employees, Buildings or related Infrastructure.   | 22/06/2023                | 22/06/2023                  | 20                  | 20                     |
| 3. | RS0056         | There is risk to Council's Financial Standing from overspending its revenue budget, failing to deliver savings and a reliance on reserves. (Reserves remain robust but there is a risk that the Medium-Term Financial Strategy may require a drawdown of reserves. Reserves can only be used once and therefore should not be used to plug permanent budget requirements). | 31/03/2020                | 31/03/2020                  | 16                  | 20 (Set on 30/07/2020) |
| 4. | HRP0009        | There is a risk that historical errors in Pension Scheme member data will lead to materially incorrect calculation of the Pension's liability figure and qualification of the Council's Statement of Accounts and Pension Fund Accounts.   | 29/11/2023                | 29/11/2023                  | 16                  | 16 (Set on 05/12/2023) |
| 5. | ORG0027        | There is an ongoing risk of a Cyber Attack and a consequential Data Breach, Financial Loss and Business Interruption.  | 14/02/2022                | 14/02/2022                  | 20                  | 16 (set on 19/04/2023) |
| 6. | RSB0023        | There is a risk that the Statement of Accounts will receive a qualified opinion for 2020-21 and onwards  | 19/05/2014                | 10/09/2020                  | 12                  | 16 (set on 29/06/2021) |
| 7. | ASD0015        | Death or serious harm to a Vulnerable Adult who was or should have been, in receipt of services, either from the Council or a Partner Agency.  | 10/08/2015                | 10/08/2015                  | 15                  | 15 (set on 11/08/2015) |
| 8. | PLC0013        | Following the Grenfell Fire tragedy residents of tower blocks in the borough are not safe or do not feel safe from fire following reassurance, advice, interim measures and completed, in progress or scheduled remedial actions to improve Fire Safety.   | 28/09/2017                | 05/12/2017                  | 25                  | 15 (set on 29/11/2017) |
| 9. | ASDASC0018     | Regulatory censure and Safeguarding failure arising from deficient process for new and ongoing employee vetting (i.e. pre-employment   | 19/12/2023                | 19/12/2023                  | 16                  | 12 (set on 22/12/2023) |



|     |         |   |            |            |    |                        |
|-----|---------|---|------------|------------|----|------------------------|
|     |         | checks, ongoing vetting of DBS status, verification of qualifications and other suitability/ screening checks).   |            |            |    |                        |
| 10. | FPA0014 | The risk of being unable to reclaim VAT from HMRC owing to weaknesses in accounting for VAT and underlying non-compliance with HMRC requirements                                      | 29/11/2023 | 29/11/2023 | 12 | 12                     |
| 11. | ORG0026 | There is a risk the Council will be unable to deliver critical and essential services owing to a Business Continuity Incident.  | 14/09/2020 | 14/09/2020 | 15 | 12 (set on 16/02/2022) |
| 12. | ICT0081 | Risk of exploitation of Supply Chain vulnerabilities or shocks impacting Council Services, Vendors and Partners.  | 25/3/2022  | 25/3/2022  | 16 | 6 (set on 08/04/2024)  |
| 13. | LPG0036 | Community Cohesion: A loss of social capital and a fracturing of the community and local networks <i>(New Risk - Currently Unassessed)</i>  | 02/05/2024 |            |    |                        |
| 14. | LPG0037 | People First Transformation: A failure to fully execute, implement and realise the benefits from the Council's core transformation programme <i>(New Risk - Currently Unassessed)</i> | 02/05/2024 |            |    |                        |

Heatmap Current Profile

