TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

25 September 2023

Report of the Management Team

Part 1- Public

Matters for Recommendation to Cabinet

1   RISK MANAGEMENT

An update on the risk management process and the Strategic Risk Register. Members of the Committee are asked to consider the updates to the Register and the 'direction of travel' indicated.

1.1   Introduction

1.1.1   The Risk Management Strategy sets out the Council's risk management objectives and details the roles and responsibilities of officers, Members and the Council's partners in the identification, evaluation and cost-effective control of risks.

1.1.2   The Council's risk management arrangements are designed to ensure that risks are reduced to an acceptable level or, where reasonable, eliminated thereby safeguarding the Council's assets, employees and customers and the delivery of services to the local community. Examples of risk include budget deficit, cyber/data loss, environmental and reputational.

1.1.3   The Council endeavours to pursue a forward-looking and dynamic approach to delivering services to the local community and will not be averse to taking a degree of commercial risk. However, it will always exercise a prudent approach to risk taking and decisions will be made within the parameters of the Council's internal control arrangements, i.e., Constitution, Procedural Rules, etc. These arrangements will serve to ensure that the Council does not expose itself to risks above an acceptable level.

1.1.4   The current Risk Management Strategy was endorsed by this Committee in January and subsequently adopted by Full Council on 21 February 2023.

1.2   Risk Management Escalation Process

1.2.1   Effectively risks are assessed/scored in terms of their likelihood/impact.

1.2.2   Any risk evaluated as 'High Risk' (score of 15 or above) will be deemed by the Council to be beyond 'risk tolerance' and to have exceeded its 'risk appetite' and will be escalated immediately. Such risks should be added to the service's risk

register and discussed at the earliest opportunity within the Service Management Team (SMT) to inform a decision as to whether this should be escalated to Management Team by the respective Service Director. Management Team should then consider whether the risk is significant enough for inclusion in the Strategic Risk Register and action this if relevant. A record should be maintained of risks discussed at both SMTs and Management Team and the outcome of those discussions.

1.2.3   Similarly risks identified as "Medium Risk" may be escalated to the appropriate SMT for advice and to ensure they are kept fully aware of the current risks being faced. Risks determined as "Low Risk" should be managed within the service team. It is recommended that SMTs consider periodic review or moderation processes for Service Risk Registers to ensure they are happy with the score's risks have been given and confirm whether there are 'Medium' or 'Low' risks they wish to consider further.

1.3   **Recent Reports**

1.3.1   Elsewhere on this agenda are two reports from both external and internal audit sources on the current position on the Risk Management Strategy and Risk reporting.

1.3.2   Recommendations from the Internal Audit report cover the following areas

- Due to the evolution process of risks management an external review could be of benefit to ensure that risk management strategy is aligned with corporate objectives.

- Risk management processes are to be incorporated into induction of new staff.

- Review and standardisation of Risk Management templates.

1.3.3   Recommendations from the External Auditors report include the.

- Enhancement to the SRR showing direction of travel and changes to the formatting and information of shown on the Strategic risk register.

Some areas, such as direction of travel have now been included on the Strategic Risk Register, but further enhancements should be made.

1.3.4   In order to gain an independent review of the areas covered in the recommendations, Management Team are asking Zurich, the Council's insurers, to undertake a review of the Strategic Risk reporting and the format of risk registers within the organisation and provide some training material for the purposes of staff induction.

1.4   Strategic Risk Register

1.4.1   The Strategic Risk Register (SRR) is considered to be a 'live' document and is updated, as often as is required, by the Management Team. An executive summary of the RED risks has been provided at **[Annex 1]** and a full update of the current strategic risks and how they are being managed as at the time of writing is appended at **[Annex 1a]**.

1.4.2   In line with recommendations from both internal audit and external audit (Grant Thornton), minor improvements to the Register are being worked on and these will be introduced over the coming months. However, as reported to the last meeting of the Committee, following the recommendation on the Auditor's Annual Report made in January 2023 (minute AU23/4 refers), a direction of travel on the risk scoring has been included on the annex.

Direction of Travel key:

Downward or positive movement

No change in movement

Upward or negative movement
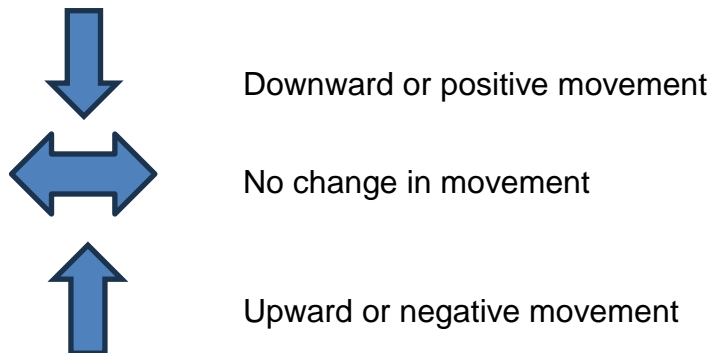
1.4.3   Members are reminded that the risks categorised as RED at the time of the June meeting is given below:

1)   Financial position/budget deficit

2)   Economic Stability

3)   Savings and Transformation Strategy

4)   Local Plan

5)   Organisational Development including recruitment and retention/skills mix

6)   Homes for Ukraine Scheme

7)   Implementation of the Agile software system

8)   Political factors including stability of political leadership and decision making

1.4.4 Management Team has reviewed the register and has added further risks to the register, these are.

    1)   Performance Management

    2)   Carbon Neutral 2030 Aspiration

    3)   Waste and Recycling Income

For full details of these risks please refer to Annex 1 of this report. The headings of Key Performance Indicators and Carbon Neutral 2030 Aspirations have been assessed as RED risks at this time.

1.4.5 Members are asked to note the updates in red font since the last iteration of the Register.

1.4.6 There have been no changes in scoring on the register.

1.5 Ongoing Risks and Risks Identified by Service Management Teams and Management Team

1.5.1 To give Members some reassurance as to the effectiveness of risk management outcomes from the risk management escalation process are reported to the meetings of this Committee unless that is there is something that needs to be brought to Members' attention in the interim.

1.5.2 A schedule of ongoing risks and risks identified by Service Management Teams and Management Team since the last report to this Committee in June is appended at **[Annex 2]**.

1.6 Legal Implications

1.6.1 There is a Health and Safety requirement for effective risk management to be in place and the Strategy supports this requirement.

1.6.2 There is also a requirement in the Accounts and Audit Regulations that accounting control systems must include measures to ensure that risk is appropriately managed.

1.7 Financial and Value for Money Considerations

1.7.1 Financial issues may arise in mitigating risk which will be managed within existing budget resources or reported to Members if this is not possible.

1.7.2 Effective risk management arrangements make a positive contribution to ensuring value for money is provided in the delivery of services.

1.8   Risk Assessment

1.8.1   Sound risk management arrangements aid the Council in effective strategic decision-making. The Council's approach to risk should be reviewed on a regular basis to ensure it is up to date and operating effectively.

1.8.2   Officers have now been provided with Risk Management Training to assist with service and operational risk assessment in order to aid the escalation process to Management Team. Further Risk Management Training is being sourced for all Members of the Council and officers will be providing details in due course.

1.9   Equality Impact Assessment

1.9.1   The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.10   Policy Considerations

1.10.1 Risk management is relevant to all areas of the Council's business.

1.11   Recommendations

1.11.1 Members are to note recommendations made by the External and Internal Auditors on Risk Management as set out elsewhere on this agenda.

1.11.2 Members are asked to **CONSIDER** and **NOTE** the updates to the Strategic Risk Register since the last iteration with particular emphasis on those risks categorised as **RED,** and the direction of travel of all risks.

1.11.3 Members are asked to **ENDORSE** the approach proposed within paragraph 1.3 for reporting back to this committee at the next cycle of meetings.

1.11.4 Make any specific recommendations to Cabinet and/or Full Council as the Committee feels appropriate in light of the Auditors Annual Report concerning Risk Management and the new risks identified at paragraph 1.4.4.

Background papers: contact: Sharon Shelton

Internal and External reports covering risk management

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