

**Finance and Corporate Resources Directorate Risk Register.**

**AUDIT COMMITTEE  
MEETING DATE 2016/17**

**20 April 2017**

**CLASSIFICATION:**

**Open**

**If exempt, the reason will be listed in the  
main body of this report.**

**WARD(S) AFFECTED**

**All Wards**

**GROUP DIRECTOR**

**Ian Williams Group Director Finance & Corporate Resources**

## **1. INTRODUCTION AND PURPOSE**

- 1.1 This report updates members on the current Finance and Corporate Resources Directorate Risk Register of the Council as at April 2017 (attached). It also identifies how risks within the Council are identified and managed throughout the financial year and our approach to embedding risk management.
- 1.2 This report assists the Committee in its role of overseeing corporate governance and is presented for information and comment.

## **2. RECOMMENDATION**

Audit Committee is recommended:

- 2.1 To note the contents of this report and the attached risk registers and controls in place.

## **3. REASONS FOR DECISION**

- 3.1 Risk management is fundamental to effective business management and it is vitally important that we know, understand and monitor the key risks and opportunities of the Council. Officers and members are then able to consider the potential impact of such risks and take appropriate actions to mitigate these as far as possible. Some risks are beyond the control of the Council but we nevertheless need to manage the potential impact or likelihood to ensure we deliver our key objectives to the best of our ability. For other risks, we might decide to accept that we are exposed to a small level of risk because to reduce that risk to nil is either impossible or too expensive. The risk management process helps us to make such judgements, and as such it is important that Audit Committee is aware of this.

## **4. BACKGROUND**

- 4.1 This current Directorate risk profile was reviewed by the Directorate Management Team (FDMT) in March 2017 in advance of it progressing to April's Audit Committee. The register was last reviewed by Audit Committee in January 2016. In discussions and meetings with various Heads of Service / Directors and other managers in different services, ideas and proposals on new risks and the current risks have been discussed, before the review being brought to FDMT (Finance and Corporate Resources Directorate Management team meeting). Numerous risks have changed or now exist in different circumstances compared to a year ago.

### **4.2 Policy Context**

All risk related reporting is in line with the Council's Risk Policy, ratified biennially by Audit Committee, and also fully supports the framework and ideology set out in the Risk Strategy.

#### **4.3 Equality Impact Assessment**

For the purposes of this report, an Equality Impact Assessment is not applicable, although in the course of Risk Management (and associated duties) all work is carried out in adherence to the Council's Equality policies.

#### **4.4 Sustainability**

This report contains no new impacts on the physical and social environment.

#### **4.5 Consultations**

In order for Risk Registers to progress to Committee, they will already have been reviewed by the relevant Senior Management team within the corresponding Directorate. Any senior officer with any accountability for the risks will have been consulted in the course of their reporting.

#### **4.6 Risk Assessment**

The relevant Risk Register is attached at Appendix one.

### **5. DIRECTORATE RISK REVIEW**

5.1 The Directorate Risk Register is comprised of risks that cut across the numerous divisions of Finance and Corporate Resources. The risks recognised at Directorate level would usually be of notable content, and often scored highly whilst impacting on overall Council strategic objectives.

5.2 The contents of the attached register tend to focus on the more negative, potentially threatening sides of risk to the Council – looking at the consequences that might happen if a particular event occurs. However, with risk management there is often an opportunity connected with a potential risk where an upside can be exploited. This is referred to explicitly in our Risk Strategy where it is stated: “if we focus on opportunities when assessing the merits of different possible solutions, this often allows us to look at bolder, more creative or innovative solutions - essentially to take greater risks, but calculated risks.” In the case of the Council, there have been situations (as referred to in the Risk Register) where potentially negative events like funding cuts have occurred, or new legislation has been issued. In fact, this has often led to improved efficiencies, and has served as an opportunity to sometimes streamline services, and encourage new and more effective approaches to an area of work. It should be stressed that the Council, in managing risks, strives to look for this positive angle within risk management.

5.3 Regarding the contents of this latest Directorate register, important areas to note are:

- This year the Directorate register commences with some high level, cross cutting risks, the first of which (FR DR 0007) reflects the changed political and economic environment we are operating in. This risk concerns the potential impacts of Brexit (especially in terms of exchange rates for purchasing and treasury / pensions), and is followed by new risks relating to workforce (encompassing recruitment and potential impacts of restructures) and also problems with contractors and suppliers. Recent years' registers have contained significant risks relating to the change of the Council's Banking System, and Pension scheme changes. Both of these risks were managed satisfactorily, although post event, there are still uncertain factors relating to both these areas. Clearly however, these risks are no longer applicable in their previous form and description.
- A number of risks relating to the Accountancy and Financial Services team remain as a result of the new deadlines for the completion of accounts. The tightening of these deadlines has intensified although due to the success of "dry-runs" over the last 2 financial years, the overall risk of these being produced late has reduced. It should be noted however that this will be the first year in which we are aiming to have the audit certificates issued by the earlier deadline of end July.
- Audit and Anti-fraud risks have changed within the last year, and a significant restructure is currently occurring, reflected in the workforce risk (FR DR 0005). A new risk has now been escalated to the Directorate register relating to resources to handle the increase in fraud. This reflects the importance of tackling fraud and not missing the benefits that successful investigations can bring.
- The Government's calling for the assets of 89 LGPS funds in England and Wales to be merged into (approx.) 6 pools of £25bn assets has created numerous potential risks. These range from transition and concentration / capacity risks to political and reputational risks. These are covered in more detail within the register. Also, there is continuing concern surrounding external factors threatening the fund's chance to meet future liabilities and by definition consuming even greater amounts of core Council funding, thereby having an adverse impact on resources available for the delivery of the Council's core services.
- ICT initiated a complete review of all their risks, especially in light of their new managerial framework. A number of ICT risks have proved to be cross cutting and have been merged with other risks to produce high level, strategic risks (eg – recruitment issues, acutely felt in IT but also a recurring problem for select services across the Council.) Individual ICT risks relating to areas such as resilience, information security, and technology change have also been escalated to this Directorate register (and are also likely to be featured as Corporate risks at the next Committee).

- Welfare Reforms are continuing to impact in numerous ways, both administratively and financially within the Council and also on residents within the Borough. This risk remains on the register from last year, and is added to a new entry from Revenues and Benefits, relating to the effects of rising property prices and rents. This is clearly an external risk and difficult to directly mitigate but the Council is trying to take proactive steps to address this problem, and especially the risk of it escalating further.
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- Recent years' registers have contained significant risks relating to the change of the Council's Banking System, and Pension scheme changes in the last couple of years. Both of these risks were managed satisfactorily, although post event, there are still uncertain factors relating to both these areas. Clearly however, these risks are no longer applicable in their previous form and description. This year the register commences with some high level, cross cutting risks, which reflect the changed political and economic environment we are operating in. The first risk concerns the potential impacts of Brexit (especially in terms of exchange rates for purchasing and treasury / pensions), and is followed by new risks relating to recruitment and also problems with contractors and suppliers.

## **6. COMMENTS OF THE GROUP DIRECTOR OF FINANCE & CORPORATE RESOURCES**

- 6.1 Effective risk management is a key requirement for good financial management and stability. This becomes more significant as funds available to the Council are reduced and budget reductions are made.
- 6.2 The Directorate seeks to mitigate risks as they are identified. In some instances, where there are volatile external factors and uncertainty, this will be through seeking access to reserves maintained by the Corporate Director of Finance and Resources.
- 6.3 There are no direct costs arising from this report.

## **7. COMMENTS OF THE DIRECTOR OF LEGAL**

- 7.1 The Accounts and Audit Regulations 2015 require the Council to have a sound system of control which includes arrangements for the management of risk. This Report is part of those arrangements and is designed to ensure that the appropriate controls are effective.
- 7.2 There are no immediate legal implications arising from this report.

## **APPENDICES**

Appendix one - Hackney's Finance and Corporate Resources Directorate risk register.

Appendix two – Risk Scorecard (one page overview of the Directorate’s risks).

## **BACKGROUND PAPERS**

**Publication of Background Papers used in the preparation of reports is required**

**None**

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