



Risk control

Risk Management Health Check City of London Corporation

October 2016 v1.4 Final



●●● in partnership with



Contents

Introduction	3
About the City of London Corporation	3
About the Risk Management Health Check	4
Executive Summary and Recommendations	6
Executive Summary	6
Recommendations (Short and Medium Term)	7
Recommendations (Longer Term)	10
Risk Management Health Check Findings	11
Leadership and Management	11
Strategy and Policy	16
People	17
Partnerships, Shared Risks and Resources	21
Processes	23
Risk Handling and Assurance	25
Outcomes and Delivery	27
Online Risk Management Survey Results	29
Appendix 1: Health Check Interviewees	35
Appendix 2: Health Check Objective and Methodology	37
Appendix 3: About RMP	39

The author of this report would like to acknowledge and extend thanks to the significant assistance and support of a large number of personnel within the City of London Corporation, without whom, this report would not have been made possible. The list of personnel to be thanked for their direct support in commissioning and arranging the Risk Management Health Check includes Dr Peter Kane, Chamberlain, Pat Stothard, Head of Internal Audit and Risk Management, Paul Dudley, Corporate Risk Advisor, and Shakeel Ahmed, Internal Audit.

Furthermore, sincere thanks are also offered to the many participants of the onsite interview process and to those who took time out of busy diaries to complete the online risk management survey. Sadly, there are too many to mention by name, but a list of the onsite interviewees is listed in Appendix 1 of this report.

Carl Dunckley
Risk Control Manager
Gallagher Bassett

Introduction

About the City of London Corporation

The City of London Corporation is a uniquely diverse organisation. It maintains a special role and wide remit that extends beyond that of an ordinary local authority.

It has three main aims:

- To support and promote London as the world's leading international financial and business centre and attract new business to the capital and the whole UK.
- To work in partnership with local communities to increase skills, employment and opportunities for all Londoners, including through the City Bridge Trust.
- To enhance the capital as a hub of culture, history and green spaces for Londoners – residents, workers, and visitors.

Many of these services are funded from its own resources for the benefit London and the wider nation.

The City of London Corporation is centred at Guildhall but also maintains offices at Mansion House, Walbrook Wharf and outside the Square Mile in relation to its green spaces and many other facilities and services.

The City of London Corporation plays a key role in sustaining London's lead in international business and finance.

The organisation:

- Works with public, private and voluntary sectors to improve long-term economic, social and environmental well-being across London, largely focusing on education, employability, skills and job brokerage, for young people in particular.
- Supports entrepreneurships, small and medium sized enterprises and social enterprises as well as fostering corporate responsibility in firms and encouraging volunteering and related activity.
- Donates around £15million annually to good causes across London through its charity, the City Bridge Trust.
- Plays a major role in London's culture and arts provision, through its world renowned Barbican Centre, prestigious Guildhall School of Music & Drama, and funding of the London Symphony Orchestra and part-funding of the Museum of London
- Owns and maintains major visitor attractions such as Tower Bridge and Monument.

- Owns and maintains over 11,000 acres of open space across London, including Hampstead Heath, Epping Forest and Burnham Beeches, alongside more than 150 gardens, churchyards, parks and plazas in the Square Mile alone.

Examples of other significant services it provides include: City of London Police; transport and streets; environment and planning; environmental protection; libraries and archives; education and learning; housing; community and living; health and wellbeing; children and families; adult social care; port health; animal health and welfare; and waste and recycling.

About the Risk Management Health Check

The risk management health check is not an audit, and as such, is intended to provide a more intuitive representation of stakeholders' views than that usually offered within a more traditional audit process.

It is a multi-level assessment of the degree of maturity and effectiveness of current risk management practices. It is designed to provide an invaluable third-party perspective on the perceived strengths and weaknesses of risk management practices within the organisation and identify opportunities for potential improvement. The health check is based upon the best practice advice and guidelines presented by the Alarm CIPFA 2016 Risk Management Benchmarking Scheme.

Stage 1 – Review of Corporate Risk Management Strategy

A desk-top review of key documents was undertaken. This review focused upon risk management strategies, policies, procedures, and minutes of key meetings in which risk management is discussed.

Stage 2 – Stakeholder interviews

A series of 32 one-hour interviews with key internal stakeholders were undertaken between 20th July and 8th September 2016 to determine how the risk management strategy is implemented, and its effectiveness. Interviewees were selected from all levels of the management hierarchy and included chief officers, Audit and Risk Management Committee members and risk champions. A number of interviewees were responsible for budgets of around £10million.

An overview of the results of the interview process is detailed within subsequent sections of this report.

Stage 3 – Online risk management survey

An online risk management survey was sent to 136 members of the organisation's management hierarchy. Of these, 66 (48.5%) responded which was considered to be good. The online survey was open from 29th July 2016 to 19th August 2016.

The results of the online survey are detailed within subsequent sections of this report.

Nota bene: The City of London Police submitted risk management information for consideration, however, the information has not been included within the Risk Management Health Check Report.

Executive Summary and Recommendations

Executive Summary

The City of London Corporation is a uniquely diverse organisation, and as such, it is faced with some uniquely diverse challenges when attempting to design, and implement an effective and efficient organisation-wide risk management framework which offers value to all stakeholders.

Despite the challenges, the organisation has made very significant progress since the adoption of its Risk Management Strategy in May 2014. Tangible progress has been made towards the establishment of a fully proactive and optimised risk management approach, with improvements being made to the risk management framework, the establishment of a Chief Officer Risk Management Group, and guidance on reporting risk information to grand committees being developed.

Many of the essential building blocks needed to maximise the risk management potential of the organisation are now in place, including:

- **Risk architecture:** defined roles and responsibilities, and robust communication and reporting structures.
- **Risk strategy:** a corporate risk strategy and philosophy.
- **Risk protocols:** risk guidelines, rules and procedures, methodologies, tools and techniques, and systems that should be used.

The risk management cause is promoted as an essential management discipline by a significant number of very high calibre personnel within the organisation. These personnel have demonstrated an ongoing commitment to invest time and resource in order to maximise the benefits associated with risk management. The establishment of the Chief Officer Risk Management Group is considered to be a highly commendable initiative which sets the organisation apart from many others, and which communicates a very strong message throughout the organisation of the important role risk management can play in both safeguarding the organisation and ensuring that opportunities are maximised.

The response rate of 48.5% (66 out of 136 managers) to the online risk management survey was considered to be a strong indicator of the progress the organisation has made in its risk management approach over recent years, and exceeded expectations when compared to other organisations.

The organisation recently participated in the Alarm CIPFA Benchmarking Club 2016, which is a self-assessment tool which focuses on six strands of risk management activity: leadership and management; strategy and policy; people; partnership, shared risks and resources; processes and tools; and risk handling and assurance. On a five point scale, the organisation achieved a very creditable rating of 'working' (3), and was on the cusp of gaining an improved rating of 'embedded and integrated' (4). 'Driving' (5) remains the highest rating available. This report would fully endorse the rating achieved by the organisation and believes that a higher rating will be readily achieved in due course.

In order to assist the organisation in making further improvements, it should consider:

- Developing clarity of understanding of the organisation's risk appetite.
- Embedding risk management into the organisation's cultural dynamic.
- Establishing an organisation-wide risk management competency framework.
- Addressing the 'silo orientation' which exists in a number of areas.
- Celebrating risk management successes, and learning lessons from failures.
- Addressing a culture of blame which may be present in certain areas.

Recommendations (Short and Medium Term)

No.	Recommendation	Priority
1	The organisation should consider providing a clearly articulated statement on its risk appetite and tolerance in order to positively guide and influence the personal predispositions to risk which are maintained by key internal stakeholders.	
Ref	Leadership and Management - Setting the criteria and arrangements for the organisation's appetite and tolerance for taking risk. (Page 13)	
2	In order to become truly radical, the organisation should consider amending its Risk Management Strategy (including philosophy) to ensure that successful risk-taking is acknowledged and support is provided in the event of failures if risks were well-managed.	
Ref	Leadership and Management - Supporting innovation. (Page 14) People - The culture of the organisation. (Page 18)	

No.	Recommendation	Priority
3	The organisation should consider providing greater clarity of responsibility for cross-cutting risks which are shared amongst different departments. This should include encouragement for joint working initiatives and risk information sharing where appropriate.	
Ref	Leadership and Management - Ensuring clear accountability for managing risk. (Page 14)	
4	The organisation should consider enhancing its communication strategy for publicising lessons learned from risk management failures in order to improve resilience, as well as risk management successes in order to win hearts and minds and achieve a greater understanding and commitment by internal stakeholders.	
Ref	Leadership and Management - Supporting innovation. (Page 14)	
Ref	Leadership and Management - Effective communication about risks and issues. (Page 15)	
Ref	Outcomes and Delivery - Delivery of successful outcomes. (Page 27)	
5	The organisation should consider reviewing and updating its Risk Management Strategy to reflect changing internal and external factors. Ideally this activity should be undertaken on an annual basis.	
Ref	Strategy and Policy - Risk Management Strategy. (Page 16)	
6	The organisation should consider the utilisation of a risk culture survey in order to identify and understand internal stakeholder risk behaviours at a personal level (influencing personal predispositions to risk) and at a personal ethical level (influencing moral values and decision-making).	
Ref	People - The culture of the organisation. (Page 18)	
7	In order to enhance knowledge of personal development criteria which includes risk management capabilities and further embed risk management into its culture, the organisation should consider re-publicising its Performance Development Framework to ensure that personnel are aware of the key risk management components contained within, and ensure personal objectives and annual assessments include risk management.	
Ref	People - Arrangements for allocation of responsibility. (Page 19)	

No.	Recommendation	Priority
8	The organisation should consider developing risk management training programmes to address the varying levels of risk management knowledge which exists and to develop a consistent corporate approach. Risk Management training programmes should be targeted at all levels of the organisational hierarchy, and should be a constant provision from induction through to personal and managerial development.	
Ref	People - Provisions to ensure appropriate risk management knowledge, experience and skills. (Page 20)	
9	The organisation should ensure that there are appropriate formal mechanisms for identifying, assessing and managing risk within its contracts and partnerships. This should include the use of joint risk registers, clear allocation of risk responsibilities and accountabilities and clear lines of reporting and effective dispute resolution.	
Ref	Partnerships, Shared Risks and Resources - Identifying, assessing and managing risk in partnerships. (Page 21)	
10	The organisation should ensure that risk management is consistently applied across all business planning, project management, contract management and programme management activities. This includes ensuring that any new approach to business planning includes effective risk management as a core activity.	
Ref	Leadership and Management - Taking key risk judgements and providing clear direction. (Page 11) Processes - Risk management is fully embedded in the organisation's business processes. (Page 23) Risk Handling and Assurance - Effective decision-making. (Page 26)	
11	The organisation should consider encouraging joint working enterprises across the specialist risk management functions in order to maximise the value of the expertise and outputs of these individuals.	
Ref	Processes - Procedures ensure risk management arrangements are effective and reflect good practice. (Page 24) Risk Handling and Assurance - Effective handling of cross-cutting issues. (Page 26)	

Longer term recommendations are detailed on the following page.

Recommendations (Longer Term)

The following recommendations should be considered once a suitable level of risk management maturity has been achieved.

No.	Recommendation	Priority
12	<p>The organisation should consider formally expanding the focus of risk management to include opportunity risks as well as threats. Currently there is a general feeling that risk management is exclusively focused on downside (negative) risk.</p>	
Ref	<p>Leadership and Management - Supporting innovation. (Page 14)</p> <p>Strategy and Policy - Risk Management Strategy. (Page 16)</p> <p>Processes - Processes support innovation and the identification and seizing of opportunities. (Page 24)</p>	
13	<p>The organisation should consider developing Key Risk Indicators (KRI's) and Key Control Indicators (KCI's) where information sources allow, enhancing performance measurement for risks and associated controls over time.</p>	
Ref	<p>Risk Handling and Assurance - Effective review and assurance.(Page 26)</p>	

Risk Management Health Check Findings

Contained below is a summary of key findings from the 32 one-hour interviews conducted with key internal stakeholders. Where appropriate, extracts from the associated Online Risk Management Survey have been inserted where relevant.

Leadership and Management

1. Do senior management support and promote risk management?

This includes:

- a. Taking key risk judgements and providing clear direction.
- b. Setting the criteria and arrangements for the organisation's appetite and tolerance for taking risk.
- c. Supporting innovation.
- d. Ensuring clear accountability for managing risk.
- e. Driving implementation of improvements in risk management.
- f. Effective communication about risks and issues.

Commentary

- a. Taking key risk judgements and providing clear direction.

The organisation is uniquely diverse in terms of services offered, construction, committee numbers, lines of reporting etc., however, the management and reporting systems in place do ensure that key risks to the organisation are considered on a regular basis within the senior management hierarchy.

The effectiveness of the risk management and reporting system is demonstrated through a comprehensive understanding by senior management of the key risks facing the organisation and the potential implications associated with those risks.

As an example of the effectiveness of the organisation's management approach to risk, it chose to invest a reported £17million after detailed engineering studies showed that the existing earth dams on the Highgate Chain and the Hampstead Chain of the ponds at Hampstead Heath could fail in a large storm, putting lives, residential properties and infrastructure at risk. The specified works were commissioned in order to safeguard against flooding, comply with reservoir legislation and protect the future of the heath's famous ponds.

Risk management is generally aligned to key organisational objectives, business planning processes and service delivery, however, with a new business planning regime currently being considered for implementation, it is important to ensure that the close relationship between business planning and risk management is not disrupted.

Through consideration within a variety of committees and forums, such as service committees, the Audit and Risk Management Committee, the Chief Officers Risk Management Group etc., it is considered that key risks to the organisation are regularly assessed, monitored and controls assurance sought.

It was reported that the depth of consideration of risks within service committees varies from one committee to another, and is generally influenced by the personal predisposition to risk of the Chairman of the relevant committee, or the perceived static nature of the associated risk register.

There was some consideration that this variation in approach is also evident within some service areas and influenced by the relevant Chief Officer's perceived view of the importance of risk management, or static nature of the risk register.

b. Setting the criteria and arrangements for the organisation's appetite and tolerance for taking risk.

One area which requires further consideration and development relates to the organisation defining its risk appetite and tolerance, and communicating it effectively throughout the organisation.

Whilst not a universally held belief throughout the organisation, a significant number of personnel within the organisation consider it to be risk averse in nature, implying that it is unwilling to take risks or that it wants to avoid risks where possible. This contradicts many of the risk-taking activities undertaken by the organisation in order to achieve its objectives, or the Town Clerk's desire for the organisation to be 'radical'.

78.47% of respondents to the online risk management survey agreed with the statement 'the City Corporation is a risk averse organisation'. **10.77%** of respondents disagreed. The remaining respondents expressed no view.

Online Risk Management Survey - Question 3

Due to the interchangeable nature, it is worthwhile providing some definition to the terms risk appetite and risk tolerance. 'Strengthening Enterprise Risk Management for Strategic Advantage', COSO, 2009, provides the following definitions:

Risk Appetite:

"A broad-based description of the desired level of risk that an entity will take in pursuit of its mission."

Risk Tolerance:

“Reflects the acceptable variation in outcomes related to specific performance measures linked to objectives the entity seeks to achieve.”

The definitions provided may be considered deceptively simple, as in practice, attempting to define organisational risk appetite and tolerance can be difficult to achieve in any tangible sense while seeking to avoid ambiguity, contradiction, vagueness and a misrepresentation of reality. This is particularly true for public sector organisations in comparison to financial services organisations.

Despite the difficulties, providing clearly articulated statements on risk appetite and tolerance can be a very powerful tool, and allow an organisation to better align and influence decision-making and risk management. It can influence how the organisation is perceived by key stakeholders such as service users, employees, and regulators, provide a clear foundation for a risk management framework, and influence organisational behaviours and increase capacity for risk-taking.

This is important within the context of the City of London Corporation where it is reported that committees are prone to adopting differing risk appetites in accordance with the personal predisposition to risk of the chairman.

55.38% of respondents to the online risk management survey disagreed with the statement ‘the level of risk which the City Corporation is comfortable in taking to achieve its objectives is clearly defined, articulated and understood.’ **23.08%** of respondents agreed. The remaining respondents expressed no view.

Online Risk Management Survey – Question 4

A clearly articulated risk appetite statement should:

- Acknowledge the organisation’s propensity and capacity for taking well-managed risks.
- Consider all key aspects of the organisation, inclusive of strategies, objectives, and business plans.
- Consider stakeholder expectations.
- Consider organisational risk management maturity and capability (skills, resources, and systems required to manage risk-taking effectively).
- Consider and address a tolerance for loss that can be quantified.

Such statements should be periodically reviewed, approved as the organisation’s authoritative risk appetite statement, and communicated effectively throughout the organisation.

c. Supporting innovation.

The Town Clerk has expressed his vision that the organisation is responsible, reliable, relevant, and radical.

Fundamentally, effective risk management should support the Town Clerk's vision to be responsible and reliable – by minimising disruption and increasing the likelihood of achieving objectives, and relevant and radical by supporting change management and risk-taking behaviours to ensure the organisation evolves to meet the changing needs and expectations of its stakeholders.

Effective risk-taking should support innovation and creativity in finding solutions to challenges and allow organisations to exploit opportunities in order to achieve its objectives.

In this context, successful risk-taking should be acknowledged and support provided despite failures if the risks were managed well.

It was considered that successful, innovative, and creative risk-taking does take place within the organisation, however, it is not yet seen as an accepted cultural dynamic if considered across the entirety of the organisation. Many still perceive the organisation to be risk averse, and that risk management is only concerned with mitigating the adverse consequences of risk. There is expressed concern in some quarters of a perceived blame culture which is reported to exist within pockets of the organisation. If these perceptions are correct, then it is not beyond the realms of possibility to consider that this blame culture may adversely influence risk-taking behaviours and risk reporting.

d. Ensuring clear accountability for managing risk.

Clear responsibilities for assessing, reporting and managing identified risk are established within the organisation's Risk Management Strategy, and there seems to be a general acknowledgement of this fact, although some personnel suggested that a greater clarity should be provided to clarify responsibility for cross-cutting risks which are shared amongst different departments.

It was considered that those who are responsible for risk management maintain the necessary authority and receive the required support.

Risk information is actively reported through established communication lines to the relevant committee's and forums including the Audit and Risk Management Committee, Chief Officers Summit Group and relevant service committees etc.

It was reported that there is an inconsistency amongst the different service committees regarding the fulfilment of their risk management responsibilities, with some paying less attention to the risk management issues at hand than others.

e. Driving implementation of improvements in risk management.

There is clear and proactive support for effective risk management within the organisation. This is demonstrated in a multitude of ways, including the investment of considerable time and resources, the inclusion of risk management as standing items on various committee agendas, the work of the Audit and Risk Management Committee and the Chief Officer Risk Management Group, and the commitment to the cause which is so clearly demonstrated by the Chamberlain and a number of high profile officers and members.

Equally, the organisation is clearly demonstrating support for effective risk management to be integrated within its core activities (i.e. policy making, business planning and service delivery). Whether risk management has been fully integrated into its core activities across the entire organisation remains to be seen, as reports suggest that inconsistencies remain. This would tend to endorse the viewpoint that there still remains some inconsistencies in risk management implementation across the organisation, that risk management has yet to be fully embedded within the organisations cultural dynamic, and the diverse nature of the organisation has resulted in historical challenges associated with a silo-orientation within components of the organisation. This silo-orientation may have resulted in a resistance to risk management due to a perception that it is an imposition from the centre of the organisation, with little thought given to the uniqueness and specific requirements of the outliers.

f. Effective communication about risks and issues.

The organisation maintains a very high number of committees. It also provides a large number of services which are spread over a significant geographical area, and which are diverse in nature. Despite this, it seems evident that the standards for communicating risks internally within the management hierarchy and to the relevant committees are effective. The risk information is provided on a regular basis, and receives scrutiny and challenge by entities such as the Chief Officers Summit Group and the Audit and Risk Management Committee, inclusive of its commendable 'deep dive' process.

Where communication of risk information may be considered to be less effective would be within the realms of the lower echelons of the organisation. The lack of an inclusive organisational risk management culture has potentially resulted in a lack of consistent engagement with front line staff and those not considered to be within the management hierarchy. As such, communication of risk information to these employee groups is considered to be an area for further improvement.

Equally, it seems apparent that the organisation does not consistently communicate lessons learned throughout the organisation. It is as important to communicate the successes in order to achieve understanding and commitment by stakeholders as it is to communicate the failures and the associated lessons learned which also may be of value in preventing repetition of errors made.

44.62% of respondents to the online risk management survey agreed with the statement 'the City Corporation learns from its successes and its failures.' **32.31%** of respondents disagreed. The remaining respondents expressed no view.

Online Risk Management Survey – Question 10

Strategy and Policy

2. Is there a clear strategy for risk management?

This includes:

- a. Risk Management Strategy.

Commentary

- a. Risk Management Strategy.

Ultimate responsibility for risk management is held by the Court of Common Council and the Town Clerk. The organisation's risk management strategy is endorsed by the Town Clerk and Chairman of the Audit and Risk Management Committee.

The strategy sets out the organisation's attitudes to risk, defines the structures for the management and ownership of risk, and specifies the way in which risk is managed (i.e. business planning, corporate processes, lines of reporting, roles and responsibilities etc.).

66.67% of respondents to the online risk management survey agreed with the statement 'the City Corporation's risk management strategy is clearly defined, articulated and understood. **18.19%** of respondents disagreed. The remaining respondents expressed no view.

Online Risk Management Survey – Question 1

Although the strategy does define risk as an opportunity as well as a threat, no further explanation is provided, with the relevant tools such as the corporate risk matrix firmly cited in negative (downside) risk. It is noted that the risk improvement plan contained within the strategy specifies that the introduction of opportunity risk management will be reviewed in 2015/16, however, its introduction is subject to the risk maturity of the organisation.

The strategy does not allow for peer review or the benchmarking of risks where appropriate, nor specifies how new activities will be risk assessed / incorporated into risk management structures.

The strategy does ensure common understanding of terminology used, and defines the structures for monitoring, review and assurance of risk management, as well as the criteria for risk assessment, and methodology for risk registers, risk evaluation and risk review.

The strategy is made available to all staff via the corporations intranet, however it is noted that the document is not reviewed on an annual basis to ensure it remains appropriate and current. The current strategy (version 2.0) was issued in 2014, and superseded the Risk Management Handbook (version 1.0) issued in 2011.

The need for a review is made obvious as a number of changes with the committee structures and some specified job titles are not reflected within the strategy. Other changes, such as the Accounts and Audit Regulations 2015, which came into force on 1st April 2015, should be reflected within an updated strategy. It would also be worthwhile to include details of the organisation's Covalent risk management software system.

The strategy clearly supports innovation and well-managed risk-taking for improved delivery of objectives, however, there is current no authoritative statement contained within which provides detail or explanation of the organisation's appetite for risk or associated tolerance.

The strategy does encourage the integration of risk management into established procedures and arrangements for departmental business, i.e. policy making, planning (e.g. business plans, project management, business resilience etc.), however there is room for expansion of the strategy's principles into the realms of partnerships, contracts, and supply chains.

The strategy also includes arrangements for the effective communication of risk information to internal stakeholders, and where appropriate, external stakeholders.

People

3. Are people equipped and supported to manage risk well?

This includes:

- a. The culture of the organisation.
- b. Arrangements for allocation of responsibility.
- c. Arrangements to ensure staff awareness.
- d. Provisions to ensure appropriate risk management knowledge, experience and skills.

Commentary

a. The culture of the organisation.

It may be correct to suggest that a culture of risk management does exist within large components of the organisation, however, it is not an all-encompassing cultural dynamic that is evident throughout. To some, risk management is seen as the exclusive domain of senior managers, departmental managers, and risk owners and champions. To others, it is seen as an onerous administrative task to be completed for compliance and reporting purposes. Neither is indicative of an all-encompassing organisational risk culture.

70.77% of respondents to the online risk management survey agreed with the statement 'risk management is seen as a positive tool which assists the City Corporation in achieving its corporate objectives'. **16.92%** of respondents disagreed. The remaining respondents expressed no view.

Online Risk Management Survey – Question 2

An effective risk culture can assist organisations in influencing risk behaviours of internal stakeholders at a personal level (influencing personal predispositions to risk) and at a personal ethical level (influencing moral values and decisions making). It is worthwhile pointing out that the root cause of many of the organisational scandals and failures of recent times has been determined to be poor organisational culture and associated behaviours.

Managers and staff have clear reporting lines and mechanisms to raise risk issues. It is generally accepted that managers and staff are encouraged to, and feel able to, raise risk-related issues. There is still some inconsistency evident, which is influenced in the main by the level of importance placed on risk management by the respective individual departmental management hierarchies.

Fear and anxiety associated with perceived reprisals for failures was reported to be evident within certain areas of the organisation. As a cultural dynamic, a consequence of a fear of failure (blame culture) may result in a decreased propensity to take risk at a personal level, and adversely affect an organisation's risk appetite in real terms.

The fear of failure can also adversely affect risk reporting as people may not wish to report 'bad news' or be held personally accountable.

An effective risk culture encourages and empowers managers and staff to take well-managed risks, provides confidence that concerns and ideas will be heard and acted on, and provides acknowledgement and reward for well-managed risk-taking.

In order for the organisation to successfully adopt a more radical, innovative, and creative approach, it must be prepared to fail from time to time. Risk-takers should be supported where it can be demonstrated that, irrespective of the result, the risks were well-managed. An absence of fear will also allow for the more effective challenge of existing practices and the identification of new, radical ways of doing things.

Ultimately, an effective risk culture will result in risk management being seen as a natural part of the established way an organisation going about its business, inclusive of planning and achieving objectives.

b. Arrangements for allocation of responsibility.

In general terms, responsibility for managing risks has been clearly and effectively delegated throughout the organisation. There are some minor exceptions where personnel report some confusion over precise roles and responsibilities.

55.39% of respondents to the online risk management survey agreed with the statement 'appropriate responsibility for managing risks is clearly and properly delegated throughout the organisation.' **21.54%** of respondents disagreed. The remaining respondents expressed no view.

Online Risk Management Survey – Question 5

Although risk management is a theme running throughout the organisation's Performance Development Framework, there was little knowledge of it reported, suggesting that risk management is not successfully embedded into recruitment or performance and development appraisals, or reflected in personal objectives and annual assessments.

Personal performance reviews should include an assessment of relevant risk management skills, gaps and opportunities for improvement.

c. Arrangements to ensure staff awareness.

Through departmental meetings, employees are generally made aware of the importance of effective risk management and the key objectives, priorities and main risks facing the relevant department and organisation. Again, it was reported that there may be some inconsistency across the different service areas, dependant on the value attached to risk management by the relevant managers.

87.70% of respondents to the online risk management survey agreed with the statement 'I am fully aware of the threats and opportunities to achieving my departmental/ service objectives.' **3.08%** of respondents disagreed. The remaining respondents expressed no view.

Online Risk Management Survey – Question 9

The Risk Management Strategy is available through the organisation's intranet or via an internet search. There is a prevailing level of uncertainty as to the level of familiarisation with the Risk Management Strategy throughout the organisation, with particular doubts expressed over the lower levels of the management hierarchy and the general employee population.

d. Provisions to ensure appropriate risk management knowledge, experience and skills.

Managers and employees are provided with access to appropriate risk management advice, guidance and expertise. Guidance is openly available, and advice and expertise is provided through the employment of a Corporate Risk Advisor. There are various other personnel throughout the organisation who maintain expertise in risk management, or more specialised subjects such as health and safety and business resilience.

The level of risk management knowledge and experience varies dramatically across the organisation. For those maintaining significant levels of knowledge and experience, this has generally been acquired or developed outside of the organisation, usually with other employers. This may well result in an inconsistent understanding and application of risk management principles and approaches, which ultimately manifests itself in decisions and behaviours that are contrary to desires and expectations.

52.30% of respondents to the online risk management survey agreed with the statement 'the City Corporation effectively equips and supports its staff (including the provision of instruction, guidance and training) to manage risk well.' **33.85%** of respondents disagreed. The remaining respondents expressed no view.

Online Risk Management Survey – Question 6

Although some action is now being undertaken to address identified risk management knowledge gaps through the provision of some risk management training to targeted management groups, more needs to be done to develop a consistent understanding and approach to risk management across the organisation, throughout the management hierarchy (inclusive of members, chief officers, senior managers) and wider employee population.

Training programmes ranging from employee induction through to management development are obvious vehicles for delivering risk management awareness improvement programmes and increased risk management capabilities.

Partnerships, Shared Risks and Resources

4. Are there effective arrangements for managing risks with partners?

This includes:

- a. Identifying, assessing and managing risk in partnerships.
- b. Monitoring and reviewing performance.
- c. Provision and testing of contingency arrangements.
- d. Identifying and addressing the implications of risk transfer.

Commentary

Few authoritative opinions were offered on the risk management standards that are applied to partnerships. The few opinions that were expressed pointed towards an inconsistent approach across the organisation.

26.16% of respondents to the online risk management survey agreed with the statement 'there are effective arrangements in place for managing risks with partner organisations.' **9.23%** of respondents disagreed. The remaining respondents expressed no view.

Online Risk Management Survey – Question 8

Therefore, mindful of the law of small numbers, it is perhaps more beneficial if the key risk management attributes of effective partnership risk management is discussed within this component of the report.

It's important to note that the level of risk management application should be proportionate to the nature, value and size of the partnership.

- a. Identifying, assessing and managing risk in partnerships.

As a general rule, there should be appropriate formal mechanisms for identifying, assessing and managing risk within partnerships. This should include:

- The development and use of shared risk registers to ensure a common understanding of risks and risk management is maintained amongst the partner organisations.
- Agreed risk assessment terminology and methodologies to ensure compatibility to promote efficiency and effectiveness.

- Clarity of risk ownership between partners (including cross-cutting risks), roles and responsibilities, authorities, and reporting requirements.
- Performance incentives developed and implemented to enhance partner motivation to manage risks effectively.
- Clear responsibility and accountability for risk is retained by the organisation where service or project delivery is through partners.

b. Monitoring and reviewing performance.

Effective lines of communication, including reporting protocols and rights of access, should be developed to ensure that reliable risk information (including key risks, performance etc.) is regularly and effectively reported throughout the partnership.

Joint risk review arrangements should be specified, which include dispute resolution protocols.

c. Provision and testing of contingency arrangements.

Contingency arrangements should be put in place to safeguard the organisation in the eventuality of partner or service delivery failure.

These contingency arrangements should be tested at regular frequencies throughout the life of the partnership in order to ensure their effectiveness if required.

d. Identifying and addressing the implications of risk transfer.

The organisation should consider the extent to which risks can be transferred, retaining the position that not all risks (e.g. reputation risk, non-delegable duties etc.) can be transferred from one party to another.

Where risks are transferred from one party to another, clear accountabilities for the management of those risks should be defined.

The persons or entities best positioned to assume responsibility for managing partnership risk should take ownership. This may well be assigned on a risk-by-risk basis after formal consideration at a joint partnership risk committee.

Through effective risk management performance monitoring processes, an organisational commitment to early intervention should be maintained in the event of difficulty being experienced by a partner.

Processes

5. Does the organisation have effective risk management processes to support the business?

This includes:

- a. Risk management is fully embedded in the organisation's business processes.
- b. Processes support innovation and the identification and seizing of opportunities.
- c. Procedures ensure risk management arrangements are effective and reflect good practice.
- d. Processes ensure appropriate resilience.

Commentary

- a. Risk management is fully embedded in the organisation's business processes.

There are well documented and established procedures in place to enable the organisation to implement the accepted principles of risk management, including risk identification, assessment and control. Furthermore, significant and established reporting protocols are in place to ensure the effective communication of risk information throughout the organisation to all levels of the management hierarchy and relevant internal and external stakeholders.

Although, in the main, risk management has been integrated into normative business practices such as business planning, project and programme management, and operational management, some doubt was expressed as to whether the required level of consistency of risk management integration had been achieved across all aspects of the business. Doubt was particularly expressed as to whether risk management principles are routinely applied within the context of strategy setting, policy making, contract management, and performance management.

58.46% of respondents to the online risk management survey agreed with the statement 'risk management is fully embedded into the City Corporation's business processes, including strategy setting, business planning and service delivery.'
23.08% of respondents disagreed. The remaining respondents expressed no view.

Online Risk Management Survey – Question 7

The reasons provided for the perceived lack of consistency include the suggestion that risk management is applied as an 'after-thought' or not at all, or that it is viewed as a compliance process rather than an active management tool.

b. Processes support innovation and the identification and seizing of opportunities.

Fundamentally, risk management supports innovation and creativity by encouraging organisation's to challenge preconceptions about how things are done, and to promote change management where it is needed to improve efficiencies, service delivery, outcomes, and achieve objectives.

The focus of risk management should be on maximising opportunities (positive risk) as well as management risks that could adversely affect an organisation (negative risks).

If fully embedded and mature, enhanced risk management capabilities promote an increased appetite for risk-taking due to improved competencies, capabilities, and confidence.

It was reported that the primary focus of risk management within the organisation is predominantly towards negative risk, with little thought of opportunity risk management.

Where possible, financial values are allocated against risk through the analysis process to emphasise the potential consequential losses which may be realised if the negative risk is realised.

c. Procedures ensure risk management arrangements are effective and reflect good practice.

The organisation maintains access to professional advice in the form of a directly employed Corporate Risk Advisor. There are also other directly employed specialist risk management functions within the organisation, covering areas such as business resilience, health and safety, and insurance. This results in appropriate information, advice, and guidance being available to ensure that its risk management arrangements remain effective and reflect best practice. There are also numerous personnel throughout the management hierarchy who maintain a high degree of knowledge, experience, and expertise in risk management theory and practice which provides the organisation with invaluable extra resource.

It was noted that, despite the interconnected nature of the different specialist risk management functions in place, the expertise and outputs of these individuals is not fully exploited to gain maximum value as little in the form of joint working currently takes place.

The organisation regularly seeks advice from internal and external sources on good practice in the development, implementation and maintenance of robust risk management processes and systems, and uses these sources to improve risk management processes and procedures where necessary.

d. Processes ensure appropriate resilience.

The organisation has well-developed business resilience plans in place. These plans are reviewed regularly to ensure that they remain operationally effective.

One area where organisational resilience is not where it should be relates to the IT infrastructure currently in place. It was reported that a lack of appropriate investment had led to an outdated and unreliable infrastructure which was adversely affecting the efficiency and effectiveness of the organisation.

Risk Handling and Assurance

6. Are risks handled well and does the organisation have assurance that risk management is delivering successful outcomes and supporting creative risk-taking?

This includes:

- a. Effective anticipation and management of risks.
- b. Effective decision-making.
- c. Effective handling of cross-cutting issues.
- d. Effective review and assurance.

Commentary

- a. Effective anticipation and management of risks.

Analysis of various risk registers, inclusive of the organisation's corporate risk register provides an invaluable insight into the effectiveness of the organisation's risk management approach and its ability to successfully anticipate risk events, and reduce adverse impacts associated with these events.

The risk registers clearly demonstrate a broad and comprehensive selection of risks, in type, nature and value.

Furthermore, taken at face value, the risk registers provide assurance not only that risks are being identified, but also quantified, control measures implemented, ownership assigned and reviews undertaken.

b. Effective decision-making.

The organisation's current risk management approach does allow for an evidence-based approach to decision-making. It was reported that there is still some inconsistency amongst the different components of the organisation in the application of risk management as an active management and decision support tool, however, there is a sense that, in general terms, risk management methodologies are employed within most decision-making processes, whether formalised or otherwise.

As the organisation is a members-led organisation, and this is reflected within the organisational structure and lines of reporting, stakeholder involvement and understanding of stakeholder issues and perceptions is well-represented within most processes.

Generally, risk assessments are undertaken directly in line with current business planning processes, with a formal evaluation of intended and unintended outcomes routinely taking place. As previously mentioned, the organisation is currently reviewing its business planning processes, and so it needs to ensure that risk management maintains a fundamental role within these processes.

c. Effective handling of cross-cutting issues.

One area where it was reported that risk management is less effectively applied is associated with the coordination, understanding and management of risks with delivery partners, and between departments.

Little knowledge of joint delivery partnership risk registers was evident, and some criticism cited that inter-related departments do not routinely share information or agree joint approaches to managing common risks, despite the Covalent risk management system offering such capabilities.

d. Effective review and assurance.

Systems and structures are in place to provide assurance of the quality and effectiveness of risk management.

Stringent internal risk reporting requirements are placed upon service areas, with regular reports being provided to service committees, the Audit and Risk Management Committee, and other forums such as the Chief Officers Summit Group and Chief Officers Risk Management Group.

External specialist sources of expertise are engaged as required, and third-party oversight of the implementation and effectiveness of the organisation's Risk Management Strategy undertaken approximately every three years.

One area for future development, once an appropriate level of risk maturity has been achieved, relates to the identification of indicators of effective risk management that are capable of measurement and monitoring over time. Essentially, Key Risk Indicators (KRI's) and Key Control Indicators (KCI's) are information sources which provide insight into the performance and evolution over time of risks, and the performance and degradation over time of controls. Whilst they may be used within the organisation, the use of KRI's and KCI's has yet to be formally established within the organisation's strategic approach to risk management.

Outcomes and Delivery

7. Does risk management contribute to achieving successful outcomes?

This includes:

- a. Delivery of successful outcomes.
- b. Maintenance of high reputation for the organisation.

Commentary

- a. Delivery of successful outcomes.

Despite several adverse outcomes being experienced by the organisation in recent years, the general consensus reported was that the organisation's risk management approach and systems are assisting the organisation in meeting its objectives and delivering successful outcomes.

This was generally leading to a greater understanding of the advantages and benefits of effective risk management and confidence in delivering the Town Clerk's vision of the organisation as: responsible; reliable; relevant; and radical.

Furthermore, there was a growing realisation reported that risk management can be used as a fundamental tool in delivering efficiency savings during the times of enduring austerity.

73.44% of respondents to the online risk management survey agreed with the statement 'risk management is contributing to the delivery of successful outcomes including service delivery, financial management and the protection of the City Corporation's reputation.' **4.69%** of respondents disagreed. The remaining respondents expressed no view.

Online Risk Management Survey – Question 11

Despite this, it was suggested that risk management successes are not often publicised within the organisation. This could be seen as a missed opportunity as such successes can be used to enhance the risk management culture of the organisation and assist in winning the hearts and minds of those who do not place value on risk management as an active management tool, but regard it more of a compliance process.

b. Maintenance of high reputation for the organisation.

The organisation is acutely aware of the value of its reputation and ensures that consideration of reputational risk is inherent within its strategic approach, management and service delivery.

This is evidenced by the inclusion of reputational risk within the context of its risk management evaluative processes, and specific references made within corporate and top red departmental risks.

Online Risk Management Survey Results

The following responses have been extracted from the online risk management survey which was run in conjunction with the risk management health check on-site interview process.

A total of 136 invitations to participate in the online survey were issued to senior managers throughout the City of London Corporation. A total of 66 responses were received, equating to a 48.5% response rate.

The online survey was open from 29th July 2016 to 19th August 2016.

Question 1

The City Corporation's risk management strategy is clearly defined, articulated and understood.

Answer Choices	Responses
Strongly Disagree	1.52% (1)
Disagree	16.67% (11)
No View	15.15 (10)
Agree	62.12% (41)
Strongly Agree	4.55% (3)
Totals	100.00% (66)

Table 1

Question 2

Risk management is seen as a positive tool which assists the City Corporation in achieving its corporate objectives.

Answer Choices	Responses
Strongly Disagree	0.00% (0)
Disagree	16.92% (11)
No View	12.31% (8)
Agree	61.54% (40)
Strongly Agree	9.23% (6)
Totals	100.00% (65)

Table 2

Question 3

The City Corporation is a risk averse organisation.

Answer Choices	Responses
Strongly Disagree	1.54% (1)
Disagree	9.23% (6)
No View	10.77% (7)
Agree	44.62% (29)
Strongly Agree	33.85 (22)
Totals	100.00% (65)

Table 3

Question 4

The level of risk which the City Corporation is comfortable in taking to achieve its objectives is clearly defined, articulated and understood.

Answer Choices	Responses
Strongly Disagree	0.00% (1)
Disagree	55.38% (36)
No View	21.54% (14)
Agree	20.00% (13)
Strongly Agree	3.08% (3)
Totals	100.00% (65)

Table 4

Question 5

Appropriate responsibility for managing risks is clearly and properly delegated throughout the organisation.

Answer Choices	Responses
Strongly Disagree	3.08% (1)
Disagree	18.46% (12)
No View	23.08% (15)
Agree	50.77% (33)
Strongly Agree	4.62% (3)
Totals	100.00% (65)

Table 5

Question 6

The City Corporation effectively equips and supports its staff (including the provision of instruction, guidance and training) to manage risk well.

Answer Choices	Responses
Strongly Disagree	1.54% (1)
Disagree	32.31% (21)
No View	13.85% (9)
Agree	46.15% (30)
Strongly Agree	6.15% (4)
Totals	100.00% (65)

Table 6

Question 7

Risk management is fully embedded into the City Corporation's business processes, including strategy setting, business planning and service delivery.

Answer Choices	Responses
Strongly Disagree	0.00% (0)
Disagree	23.08% (15)
No View	18.46% (12)
Agree	50.77% (33)
Strongly Agree	7.69% (5)
Totals	100.00% (65)

Table 7

Question 8

There are effective arrangements in place for managing risks with partner organisations.

Answer Choices	Responses
Strongly Disagree	0.00% (0)
Disagree	9.23% (6)
No View	64.62% (42)
Agree	24.62% (16)
Strongly Agree	1.54% (1)
Totals	100.00% (65)

Table 8

Question 9

I am fully aware of the threats and opportunities to achieving my departmental/ service objectives.

Answer Choices	Responses
Strongly Disagree	0.00% (0)
Disagree	3.08% (2)
No View	9.23% (6)
Agree	64.62% (42)
Strongly Agree	23.08% (15)
Totals	100.00% (65)

Table 9

Question 10

The City Corporation learns from its successes and its failures.

Answer Choices	Responses
Strongly Disagree	1.54% (1)
Disagree	30.77% (20)
No View	23.08% (15)
Agree	43.08% (28)
Strongly Agree	1.54% (1)
Totals	100.00% (65)

Table 10

Question 11

Risk management is contributing to the delivery of successful outcomes including service delivery, financial management and the protection of the City Corporation's reputation.

Answer Choices	Responses
Strongly Disagree	0.00% (1)
Disagree	4.69% (3)
No View	21.88% (14)
Agree	71.88% (46)
Strongly Agree	1.56% (1)
Totals	100.00% (64)

Table 11

Appendix 1: Health Check Interviewees

A list of all City of London Corporation personnel who generously gave up their time to individually participate in the one-hour interview process are listed below:

Adetosoye, Ade. Director of Children's and Community Services

Anstee, Nick. Chairman of ARMC

Attard, Susan. Deputy Town Clerk

Averns, Jon. EH & Public Protection Director - Markets and Consumer Protection

Barradell, John. Town Clerk

Bell, Chris. Head of Procurement, Chamberlain's

Bennett, Peter. City Surveyor

Bowman, Faith. Departmental Risk Champion, City Surveyor's

Bubbear, Alan. Bursar, CLSG

Dale, Connie. Insurance Manager, Chamberlain's

Davies, Neil. Head of Corporate Performance and Development - Town Clerk's

Debuse, Paul. Departmental Risk Champion, Town Clerk's

Dudley, Paul. Corporate Risk Advisor

Dwesar, Sandeep. Finance, Barbican Centre

Dwyer, Carolyn. Director of Built Environment

Everett, Phillip. Projects Director, Town Clerk's

Gill, Nick. IPG (Private Estates) Director - City Surveyor's

Ingham Clark, Jamie. ARMC member and Chairman of IT Sub Committee

Ireland, Sue. Director of Open Spaces

Kane, Dr Peter. Chamberlain

Lock, Matt. Assistant Director, Strategic Resources

Mayhew, Jeremy . ARMC member and Chairman of Finance Committee

Milligan, Ben. Superintendent (Markets)

Pearson, David. Director of Culture, Heritage and Libraries

Presland, Steve. Transportation and Public Realm Director - Built Environment

●RMP Risk Control

Price, Dorian. Guildhall Manager - Assistant Director - City Surveyor's Department

Roberts, Bob. Director of Communication

Sanandres, Oli. Corporate H&S Manager, Town Clerk's

Smith, David. Director of Markets and Consumer Protection

Smith, John. Departmental Risk Champion, Markets and Consumer Protection

Stothard, Pat. Head of Internal Audit and Risk Management

Woods, Simon. Head of IT, Chamberlain's

Appendix 2: Health Check Objective and Methodology

Objective

The risk management health check is a multi-level assessment of the degree of the maturity and effectiveness of your current risk management practices. It is designed to provide you with an invaluable third-party perspective on the strengths of your risk management practices and opportunities for potential improvement. The health check will be based upon the best practice advice and guidelines presented by the Alarm CIPFA 2016 Risk Management Benchmarking Scheme.

As part of the multi-level assessment, consideration will be given to the organisation's risk appetite and tolerance as an integral part of an enterprise risk management approach. An organisation's appetite for and tolerance to risk should be set by an organisation's board and should directly influence organisational culture.

Methodology

The proposed methodology incorporates five key stages:

Stage 1 – Review of Corporate Risk Management Strategy

A desk-top review of key documents inclusive of risk management strategies, policies, procedures, and minutes of key meetings in which risk management is discussed.

Stage 2 – Stakeholder interviews

A series of one-hour interviews / discussions with key stakeholders to determine how the risk management strategy is implemented, and its effectiveness.

Discussions will also consider how the organisation's risk appetite and tolerance is set, communicated, and used to influence risk-taking behaviours and decisions. Interviewees should be selected from all levels of the management hierarchy but should include chief officers, audit committee members and risk champions.

A pre-determined question set will be applied at each interview for consistency, with the results recorded for later correlation.

Stage 3 – Risk management questionnaire

The completion of an electronic questionnaire by a select number of stakeholders within a specified timeframe, utilizing the pre-determined question-set applied during the stakeholder interviews.

Stage 4 – Report production

The report will bring together the results of stages 1 through 3 and seek to portray a balanced view of the effectiveness and maturity of the organisation's current risk management practices, drawing comparisons against best practice standards and offering commentary on strengths and potential opportunities for improvement.

Stage 5 – Presentation of results

As required, the results of the risk management health will be formatted into a brief presentation and delivered with scope for discussion and agreement of action for improvement (where necessary).

Appendix 3: About RMP

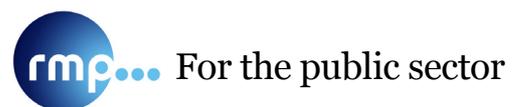
We are one of the foremost providers of insurance and risk management to the public sector, dedicated to providing insurance programmes and practical support to risk managers. Since 1993 we have led the market in reducing the total cost of risk; offering guidance, advice and free resources to local and central government, education and emergency services.

We're for public sector risk managers.

Risk management has always been an essential and valuable element of our service offering. Our services have been developed in direct response to the needs of our clients and include risk reviews to measure, assess and provide assurance on the adequacy of risk control measures, development of policy to provide a framework to guide and to drive continuous improvement along with training to help raise awareness, develop skills and embed change.

We have a team of qualified and experienced Risk Control Consultants based throughout the country; all have extensive experience of working closely with organisations within the realms of health and safety and risk management.

We maintain the depth of knowledge and practical experience necessary to develop and deliver effective risk management reviews, health-checks, guidance, and training programmes.



Risk Management Partners
67 Lombard Street
London EC3V 9LJ
020 7204 1800
www.rmpartners.co.uk

Risk Management Partners Limited is authorised and regulated by the Financial Conduct Authority. Registered office: The Walbrook Building, 25 Walbrook, London EC4N 8AW. Registered in England and Wales. Company number: 2989025.