

**TRANSPORT FOR LONDON**

**AUDIT COMMITTEE**

**SUBJECT: STRATEGIC RISK MANAGEMENT ANNUAL REPORT  
2007/08**

**MEETING DATE: 11 JUNE 2008**

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**1. PURPOSE**

- 1.1 The purpose of this paper is to summarise Risk Management activity for the year ended 31 March 2008. The Committee is asked to note this report.

**2. BACKGROUND**

- 2.1 TfL has in place an effective framework for the management of strategic and significant risks. All strategic risks are owned by the Commissioner and are identified and reviewed by the Chief Officers through an annual workshop. The identification and management of significant business risks is the responsibility of Managing Directors and their management teams. To co-ordinate these risks, and escalate them as necessary, we have in place a network of key risk representatives, across the organisation. The Risk Management Group meets quarterly to review the status of the strategic risks, emerging risks and arbitrate on any risks that cut across one or more directorates. This process operates as part of the quarterly performance reporting timetable.

- 2.2 We are developing and enhancing the framework and processes year-on-year. For example, to provide a better range and flexibility for risk scoring, we have moved from a 3X3 risk map template to a 5X5 version. Maps are supported by a range of scoring schemes that best fit the level within the organisation to which they are applied.

**3. ACHIEVEMENTS THIS YEAR**

- 3.1 For the previous three years we have been developing and putting in place the risk processes and reporting arrangements and these are largely established at a high level across the Group. The challenge for this year has been to reach a wider audience. Therefore the focus of our work during 2007/08 has been upon frequency of review and training and awareness.

## **Chief Officer Risk Review**

- 3.2 During the year we have made significant progress in developing a more interactive review process for the TfL strategic risks. In previous years the risks have been reviewed in detail on only one formal occasion – the Chief Officers’ Risk Workshop. This year we have had more one-to-one discussions with MDs and have had more general discussion and review outside of the formal workshop. Going forward, the strategic risks will also be reviewed as an agenda item at one of the scheduled Senior Executive Group meetings. This will provide a scheduled mid-year review in support of the annual risk workshop.

## **Training**

- 3.3 In line with our general policy to date, we have adopted a “top-down” approach to risk management training. Initially the emphasis has been on identifying a core group of around two hundred managers across the organisation that should be actively managing their own risks. Selection for the course has been based upon nominations by Managing Directors, or their direct reports.
- 3.4 Our main training vehicle is the Business Manager Risk Training module. This is a one-day course that introduces risk management concepts and explains TfL’s approach by means of a relevant case study and worked examples. This course has been co-developed by our professional training provider partners, PM Professional. By the end of the year we had delivered nine of our scheduled first ten courses, with 71 attendees.
- 3.5 Another major element of the training and awareness programme is our E-Learning module covering risk identification. This was ground tested by attendees on the Business Manager Risk Training course. The module is a general risk awareness course aimed at the introductory level. A full launch of the module to all staff is scheduled for early 2008/09.

## **4. ACTIVE RISK MANAGER SOFTWARE**

- 4.1 One of our major planned initiatives has been to broaden the user base across the Group of the preferred risk management software – Active Risk Manager (ARM). In simple terms, the more users inputting risks to a common system and database, then the greater the visibility of those risks to us as central co-ordinators. Thus significant risks may be more easily escalated and systemic risk issues are more likely to be picked up. Another significant benefit arising from use of a common system is the improved consistency and comparability of data across business units, modes and directorates.
- 4.2 London Underground already has a significant user base and our focus has been to increase user numbers in other areas of the business. We have done this by explaining the benefits of the system in management forums, or as part of other risk presentations. We have also included an introduction to ARM as part of our Business Manager Risk Training module – with attendees being set

up as users of the system. This approach has achieved good results to date. For example, at the start of this year we had 12 non-LUL users, this number had risen to 85 by the end of Period 13.

## **5. BENCHMARKING AND NETWORKING**

- 5.1 To ensure that Risk Management remains aware of developing tools and techniques that contribute to best practice in the field it is important that we meet and work with other risk specialists as well as attending relevant conferences and technical update sessions. Through Internal Audit we have memberships of the Association of Local Authority Risk Managers, from whom we receive copies of publications, newsletters and updates.
- 5.2 Another body we actively contribute to is the London Risk Management Group. This body consists of representatives from a number of public sector bodies in and around London. The aim of the group is to promote risk management across London public sector organisations and to develop tools and techniques that members can use to improve their own risk management arrangements. One example of this collaborative work is the Partnership Toolkit. This provides guidance on risk for anyone establishing a non-contractual partnership arrangement – and is now available for all TfL staff via Source.
- 5.3 The Head of Risk Management is also a member of the Institute of Risk Management and of the Chartered Institute of Public Finance and Accountancy – and frequently attends networking and update events organised by them.
- 5.4 During the year we have been contacted by a number of organisations wishing to talk to us about benchmarking their Risk Management processes against what we do.
- 5.5 Our work continues to be recognized by the media and conference organisers. For example, key features of the TfL approach were featured in the Management Consultancies Association publication on “Risk Management in the Public Sector” – and also in the accompanying Times newspaper article.

## **6. FEEDBACK**

- 6.1 We have already received detailed feedback on our Business Manager Risk Training course and the average score to date given by participants upon completion of the course has been 4.6 out of 6. A full customer satisfaction survey is planned for early 2008/09.

## **7. EQUALITIES AND INCLUSION**

- 7.1 Risks to the organisation's equality and inclusion objectives have been, and continue to be, assessed as part of the overall strategic risk management

process. The risk and mitigation elements are captured in detail as part of the strategic risk covering “Quality and quantity of people”.

## **8. CRIME AND DISORDER**

- 8.1 The Revenue collection risk includes as a key element the risk of fraud – particularly in relation to ticket fraud. However, risks relating to crime and disorder are also considered as part of the general governance arrangements – for example, in the project review and approval process.

## **9. SUSTAINABILITY**

- 9.1 Sustainability represents one element of the “Project delivery” strategic risk and is assessed at project and programme level. It is also very much a part of the “Effective contract management” risk in the form of the sustainable procurement agenda. As part of our standard process this risk will be monitored to assess any future need for escalation to the TfL Strategic Register.

## **10. RECOMMENDATION**

- 10.1 The Audit Committee is recommended to NOTE this report.

