

TRANSPORT FOR LONDON

AUDIT COMMITTEE

SUBJECT: STRATEGIC RISK UPDATE

DATE: 29 SEPTEMBER 2009

1 PURPOSE AND DECISION REQUIRED

- 1.1 The purpose of this paper is to inform the Audit Committee of the status of the TfL strategic risks and recent developments in the overall risk management arrangements. The Committee is asked to note this report.

2 BACKGROUND

- 2.1 This is the latest in a series of reports detailing the status of the TfL strategic risks and documenting changes made to the risk profile. The strategic risks are reviewed annually by the Chief Officers in a plenary workshop session. During the course of the year, strategic risks are reviewed at least quarterly by the Risk Management Group on behalf of the Chief Officers. A quarterly strategic risk report is produced for the Commissioner both to update risk status and also to provide a measure of assurance that risk management arrangements across the group remain effective.

3 STRATEGIC RISK REGISTER

- 3.1 A full update and refresh exercise has been performed of the content of the TfL Strategic Risk Register. All revised risk entries have been loaded onto the Active Risk Manager (ARM) system, which will be used for all risk reporting in future. This Risk Register will be reported in full to the Audit Committee at the meeting on 16 December following the annual Chief Officer strategic risk review.
- 3.2 Key stakeholders are currently being canvassed on the content and format of future reports, which will be developed using the ARM report function.

4 RISK SCORING SCHEMES

- 4.1 To be able to compare the impact of risks across the business, while at the same time reflecting modal differences as to materiality, a common basis was needed from which local financial impact categories could be calculated. Following a full cross-modal consultation exercise there is now general agreement on a model for the financial impact of business risk scoring. The basis that has been selected is the aggregate of the operating and capital expenditure.
- 4.2 Discussions are being held with RMG members to decide on an appropriate variant of this scheme for the TfL strategic risks.

5 REVISED RISK MANAGEMENT STRATEGY

- 5.1 In line with good practice, a review has been performed of the strategic and corporate risk management strategy and approach. Proposals being considered include improved quantification of strategic risks and an enhanced role for risk modelling as part of the business planning cycle. The draft revised strategy has been reviewed by the Risk Management Group and other key stakeholders and will now be presented to the Commissioner. This will be reported to the Audit Committee at the meeting on 16 December.

6 RISK INDICATORS

- 6.1 To help ensure that risk data is of high quality across the business, a range of risk indicators are being put into place. Over the last quarter the first of these indicators – the percentage of High score risks with mitigation plans in place – has been monitored. The target level for this indicator is 95%; the actual level is currently 100%. Over the next quarter, and going forward, two further indicators will be monitored - risks within review date and overdue actions. We will work with risk managers across the business to improve the performance in these areas.

7 RECOMMENDATION

- 7.1 The Audit Committee is asked to NOTE the contents of this report.

8 CONTACT

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