

Agenda Item No: 4
Report To: Audit Committee
Date of Meeting: 15 March 2022
Report Title: Corporate Risk Register – update March 2022
Report Author & Job Title: Charlotte Hammersley, Compliance and Data Protection Manager
Portfolio Holder Cllr. Neil Shorter
Portfolio Holder for: Finance and IT



Summary: Twice a year the Audit Committee considers the council's corporate risks and is asked to note the updated assessments and to agree the adequacy of key controls to manage the risks. This report fulfils those obligations.

The Corporate Risk register is assessed using the Risk Management Framework.

Recommendations: **The Audit Committee is recommended to consider the Corporate Risk Register:**

- a) **To agree the assessments and the adequacy of key controls to manage the risks.**
- b) **To consider the area of focus of this report on the risks associated with Cyber Security.**
- c) **To determine whether there are any specific risks that would benefit from a more detailed report to a future meeting in order for the adequacy of the controls to be assessed.**

Policy Overview: Risk Management Framework

Financial Implications: None at this stage

Legal Implications None at this stage.

Equalities Impact Assessment Not required because equalities issues are assessed at the point the project or service the risk relates to are incepted.

Exempt from Publication: **NO**

**Background
Papers:**

None.

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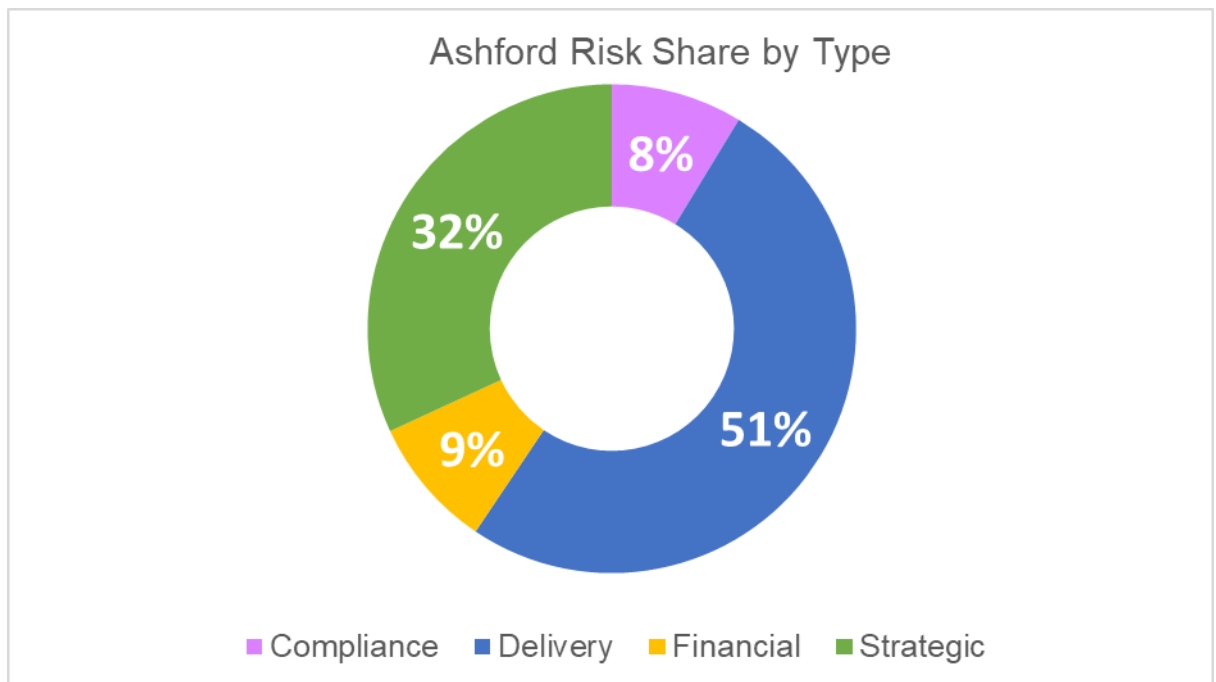
Report Title: Corporate Risk Management – update report March 2022

Introduction and Background

1. Twice a year the Audit Committee considers the council's Corporate Risks and risks management controls. This report is an update report providing the latest information on the council's Corporate Risk Register. It also provides additional information on specific risks where this has been requested by the Committee. In particular, this update focuses on the Cyber Security risk environment following a request at the last meeting of this Committee.
2. Since compiling the risk assessments for this report, Russia's war in Ukraine has commenced with repercussions being felt globally. The assessments provided in this report are therefore based on the known environment at the time of writing. The Corporate Risk Register is now being reviewed to take account of how environmental factors including financial volatility, inflation and fuel price rises as well as increased risks of state cyber-attacks affect current assessments and whether any new risks should be included on the register going forward.
3. The Corporate Risk Register is set out at Appendix A.

Proposal/Current Position

4. The Corporate Risk Register provides details of the council's key risks that could, if untreated, impact on the council's Strategic aims, Financial position or Compliance with the law.
5. Operational 'delivery' risks are monitored regularly by individual services and the council's Management Team on an exception basis. Any delivery risks that become of strategic significance are also reported to this Committee. Examples of delivery risks include HR processes not being completed, non - delivery of planned maintenance contracts and contamination of recyclables.
6. There are currently **68** risks across the four risk types (strategic, delivery, financial, compliance). A percentage breakdown of each type of risk is provided below:

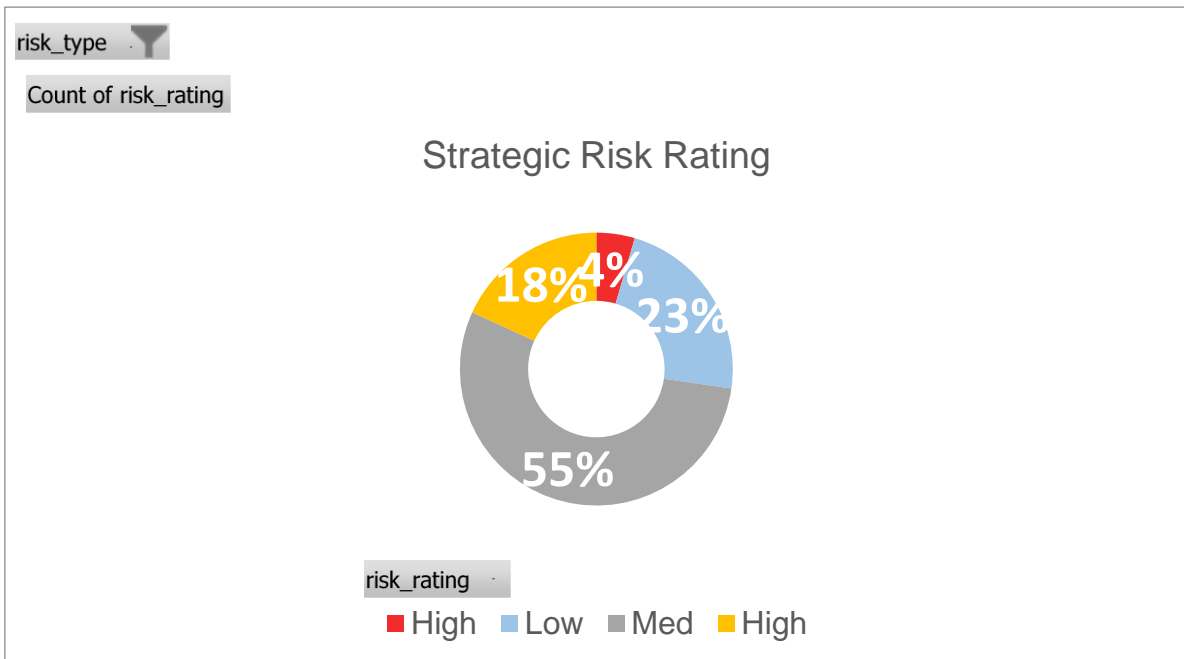


7. The Corporate Risk Register is linked to the risk appetite statement which is contained within the Risk Management Framework. The statement is designed to inform decision making about the amount of acceptable risk within which the council chooses to operate. Risks that fall outside of the council's appetite are reported to the Audit Committee. The appetite statement sets out that the council has a moderate appetite to strategic risks, a low appetite to financial risks and a very low appetite to compliance risks. The Corporate Risk Register is formed of those risks that are currently above the risk appetite levels set.
8. The risk appetite statement has recently been reviewed to reflect the council's ambitions as set out in the draft Corporate Plan 2022-2024 and will now be incorporated into the council's Risks Management Framework.
9. Set out at Appendix A are details of the risks included on the current Corporate Risk Register which provides details of individual risks and explains the current position or any further action that may need to be taken to manage them.
10. This report highlights any changes to the risk profiles since the last update, provides details of any new risks that have been included on the register and those that have been managed down to a level where they no longer require reporting on.

Strategic Risks

11. There are currently 22 Strategic risks monitored of which 5 feature on the Corporate Risk Register in line with the council's risk appetite statement. A

breakdown of the strategic risk ratings by percentage is provided in the pie chart below:



Key changes

Reduced risk profiles

12. The risk of not meeting our climate commitments has reduced in light of the development of ABC's Carbon Reduction Plan which sets out priority actions for delivery. The comprehensive plan brings together the council's activities to tackle climate change including the air quality action plan, cycling and walking strategy, tree planning, solar farms and net zero housing development. ABC is also developing its carbon baseline to inform our carbon decent plan. £2 million of reserves has been set aside to assist with tackling climate change and delivery of the plan. A workshop is took place in mid-February with Members in order to assess priority actions to inform our decent plan. A number of projects are also underway including tree planting, solar projects and an assessment of the use of an electric vehicle fleet as part of the waste contract. Therefore, the risk does not feature on the register this time.
13. The risk of recession has also moved back within tolerated levels. Whilst the impact of Covid-19 and the EU Exit on our economy are still to be full understood, there is some positive data coming through on employment and the economy. The likelihood of recession has been downgraded, moving this risk from very likely to possible. The Finance Team, alongside Arlingclose (Treasury advisors) will continue to monitor the data as it comes through.

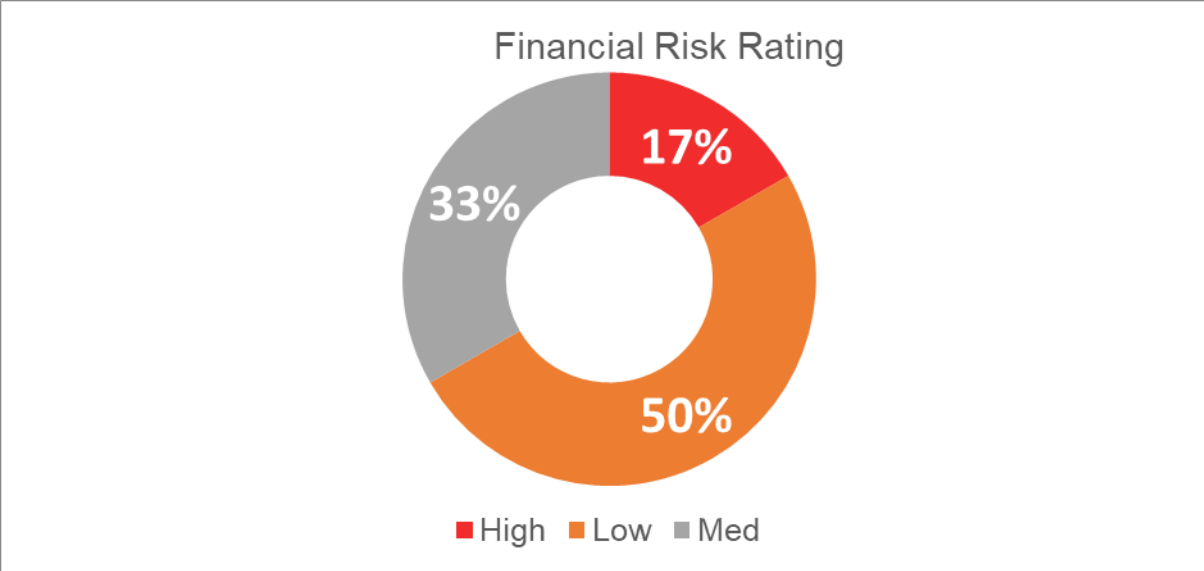
Strategic risk area of focus: Cyber Security

14. At the last meeting of this Committee it was agreed that the risks associated with Cyber Security and how the council mitigates against them should be an area of focus for this meeting.
15. The current cyber threat landscape changes daily for local authorities as it does for all other businesses and organisations both large and small, and the prevalence of cyber means there is a presumption that we will experience an attack at some point.
16. The exact circumstances of incidents are rarely the same, but common attack vectors include:
 - Stolen or weak Remote Desktop Protocol (RDP) credentials, giving the attacker a route into a network
 - Malicious emails containing links or attachments to drop malware such as TrickBot, IcelD or Cobalt Strike and also enabling ransomware attacks.
 - Vulnerabilities in public internet accessible applications or servers
17. We are in a fortunate position in that we do not have our services going directly out or back in to the internet, but sit on the large Kent Public Services Network (KPSN) giving us added layers of defence and 24x7 monitoring, which we would be unlikely to afford or resource as a single authority.
18. Some of the recent measures we have implemented to strengthen our defences is to replace our old signature based endpoint anti-virus solution installed on all of our desktop and server devices, which only protected us against known threats. The new Next Generation Anti-Virus (NGAV) product not only delivers the signature based protection, but uses machine learning to actively scan and monitor devices for any uncommon and irregular activity, and if a threat is perceived it will be blocked and stopped from spreading.
19. In recent years a number of local authorities have been the victim of ransomware attacks, which have taken a long time and cost a lot of money to recover from. To help protect against this we have recently introduced an immutable storage solution to our data backup infrastructure. This solution takes regular snapshot copies of our backed up data, and stores them offline in a read-only form. This means if we are struck by an attack we would not need to pay the ransom to get our data unlocked, as we have recent copies ourselves stored away off of the actual network that has been compromised.
20. We have recently re-launched some updated courses for Cyber skills training for staff and councillors, that will hopefully help people detect any potential threats / attacks and how to react. The training is mandatory for staff and this Committee may wish to consider recommending extending this approach to councillors to ensure that everyone using council systems has training on cyber risks and mitigations.

- 21. We also recently came through an internal audit on our “phishing defences”, with a Sound setting which included conducting a phishing test of staff and councillors that was only known to three members of IT. The results of this test were very good, with a result of 888 emails sent out, 17 used the "Report Phishing" button in Outlook which is what we would like them to do, 86 clicked the initial link, and only 38 gave their credentials.
- 22. IT continue to engage in the various regional Cyber groups, and are members of CISP and regional WARP (Warning Advice Reporting Point) which means we receive alerts from multiple sources which are quite often earlier than we would formally be alerted to. And a member of the IT team passed a very difficult exam to achieve CISSP accreditation (Certified Information System Security Professional), which he will use to help strengthen our solutions and procedures, and help others in IT and wider organisation to become more cyber aware.

Financial Risks

- 23. There are currently 6 financial risks monitored, all of which feature on the Corporate Risk Register in line with the council’s risk appetite statement. A breakdown of the financial risk ratings by percentage is provided in the pie chart below:

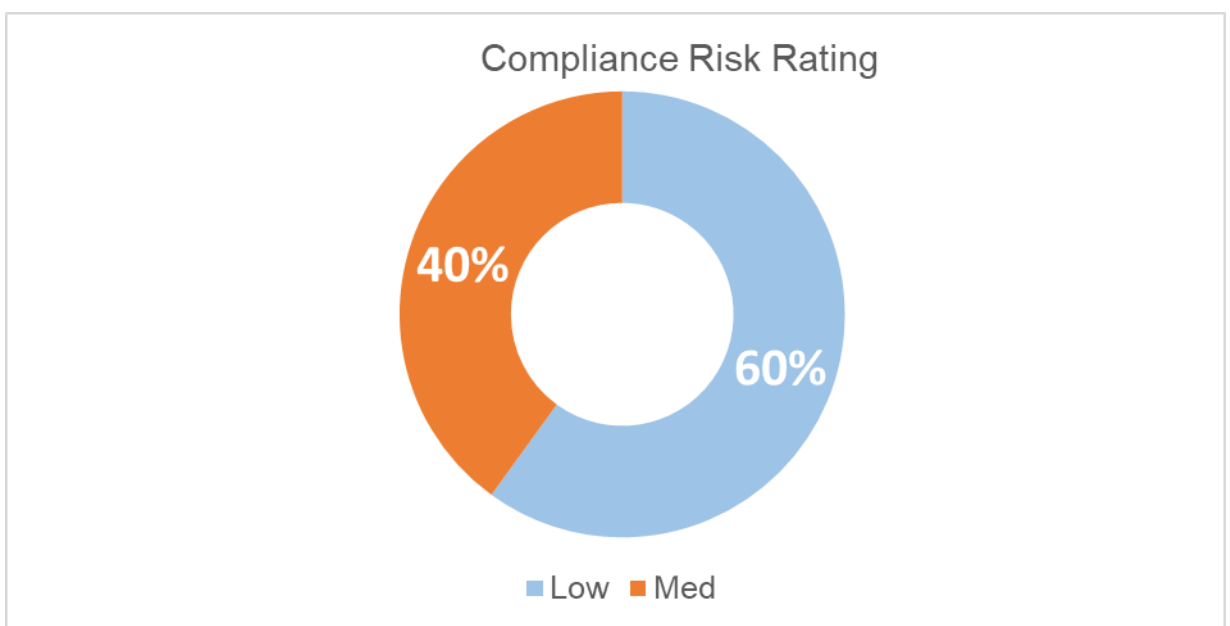


- 24. A number of the financial risk profiles have reduced including the risks of having insufficient reserves to respond to another unforeseen event (C17FINIT010); a reduction in car parking income (CR17HPC004); the inability to make an expected return on the council’s commercial investment portfolio (CR17PROP002) and reduction in Housing Revenue Account income as a result of Covid (CR20HOUS13). This reflects council’s budget presented to Cabinet on 23 February together with the recommendation of the Budget Scrutiny Task Group that the proposed budget was sound and deliverable.

Whilst parking income continues to be below pre-pandemic levels it is now consistently in line with budget forecasts. The commercial investment portfolio is performing well with sufficient reserves to respond any medium term pressures. Further detail can be found within the council's 2022/23 budget and Financial Monitoring reports.

Compliance Risk

25. There are currently 5 compliance risks monitored, all of which feature on the Corporate Risk Register in line with the council's risk appetite statement. A breakdown of the compliance risk ratings by percentage is provided in the pie chart on the next page:



26. The risk of having insufficient resources in the event that an Election were called at short notice (CR17LEG001) has been removed from the risk register. The risk has remained static since its introduction in 2017. There is a well embedded and rehearsed policy of staffing election work by way of a large corporate effort across services to support the small elections team and the chance of risk materialising is negligible and does not require reporting to this Committee with such regularity.

Conclusion

27. Risk owners have reviewed and reassessed the risks and controls within their specific areas and are satisfied that this report and attached Appendix A represent an accurate picture of the current risks to the organisation.

28. Member of the Committee are asked to consider whether there are any specific risks or themes that would benefit from a further report back to a future meeting.
29. The Corporate Risks Register will be presented again to the Audit Committee in six months time in accordance with the Risk Management Framework where a further update will be provided on current risks and notable changes to the Register.

Contact and Email

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