



Local Authority Corporate Risk Register Analysis

South Hams District Council

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Background

Risk management is a critical management tool to manage, assess and prioritise risks, therefore enabling resources to be applied to minimise, monitor and control the probability and/or the impact of negative events.

An important component of the risk management process is the corporate risk register, which identifies those risks which are critical for management to minimise, monitor and control.

KPMG has used its extensive audit client base to undertake Corporate/Strategic risk register analysis. The exercise compared the corporate risk registers from a range of local authorities covering:

- Single Tier Councils;
- County Councils;
- District Councils;
- Fire and Rescue Services; and
- Police bodies.

The outcome highlights the most frequently featured risks across local authority risk registers and changes from 2014 when a similar exercise was carried out.

We also considered the arrangements in place to maintain and review risk registers at the local authorities and fire and police bodies.

Finally, we considered the degree to which risk registers are used as an integrated management and assurance tool, which is especially important given other parts of the Public Sector are increasingly using tools such as Board Assurance Frameworks and Assurance Mapping.

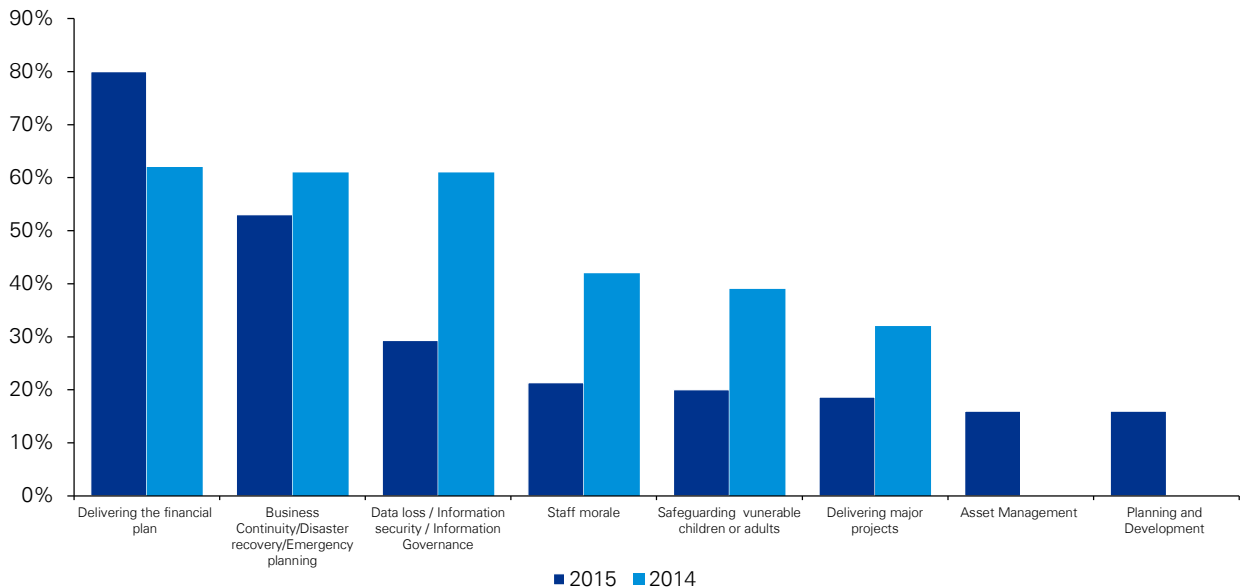
Purpose

Organisations should use the comparative information to help consider:

- Whether there are potential risks that may have been omitted from their own risk register;
- Whether potential risks are given sufficient priority;
- The mechanics of the risk management process at their organisations; and
- How managing risks and providing assurance can be developed further.

Local authority corporate risk register analysis (cont.)

Most frequently featured risks across all authority types



The top three residual risks occurring most frequently are:

- Delivering the medium term financial plan/saving targets/delivering funding cuts;
- Business continuity/disaster recovery incidents/emergency planning; and
- Data loss/information security/information governance risks.

A much higher number of bodies (80% compared to 62% in 2014) identified **Delivering the medium term financial plan/saving targets/delivering funding cuts** as a risk, although this is still not as high as might be expected given the significant reduction in grants seen in recent years and on-going financial pressures.

Risks in relation to **Business continuity and disaster recovery** were identified in 53% of risk registers (compared to 61% in 2014) and **Data loss/information security and information governance** were identified in 29% of risk registers (compared to 61% in 2014). So whilst these risks remain high in terms of frequently occurring risks – It is noticeable that both risks occur less often than in prior years. This fall is a surprise but may be as a result of investments in arrangements reducing the residual risks across the sector.

The risk that no longer features in the above analysis is **Partnership arrangements/governance**, which is surprising given the emergence and growth of initiatives such as the Better Care Fund.

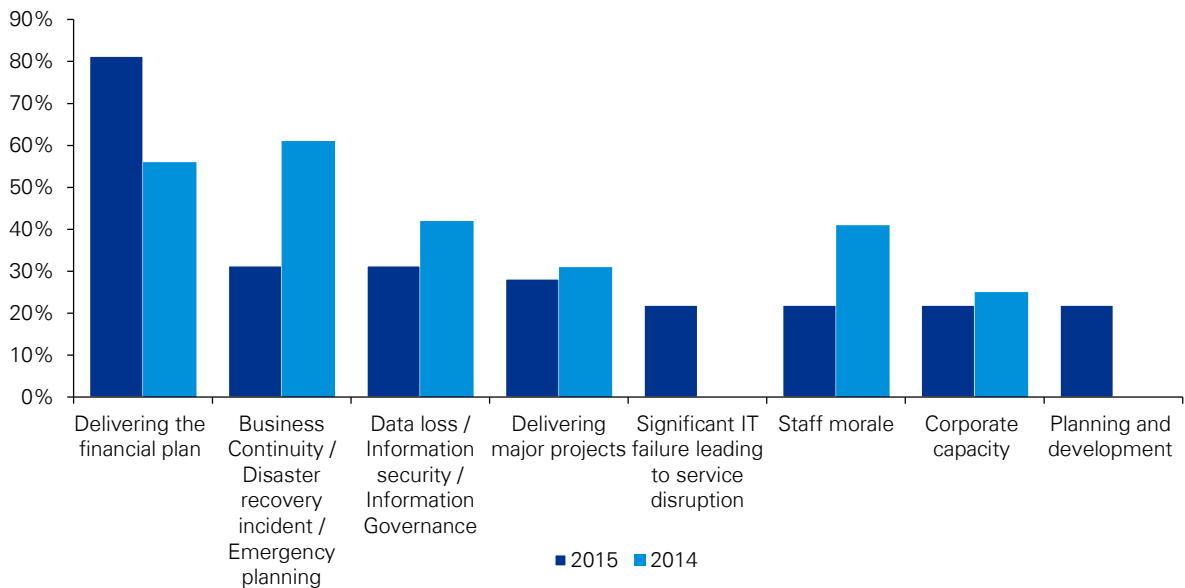
Compared to the same analysis last year the following risks have increased in frequency and emerged into the set of most frequently seen risks in 2015:

- Asset management; and
- Planning and development issues.

Local authority corporate risk register analysis (cont.)

Most frequently featured risks across district councils

The chart below shows the eight most frequently identified risks at district councils included in the exercise.



The three most common risks for district councils are the same as the all authority type analysis with **delivery of the Medium Term Financial Plan** again the highest risk.

We note we see more risks in relation to **Significant IT Failures**, (21% of districts) and **Planning and development** compared to 2014, however **Delivery of major projects, Staff morale and Corporate capacity** remain significant residual risks throughout local government. **Partnership governance** and **Welfare reform**, which were seen in 60% and 38% of registers respectively in the 2014 analysis, do not feature in the top eight risks, suggesting mitigating control arrangements are better developed.

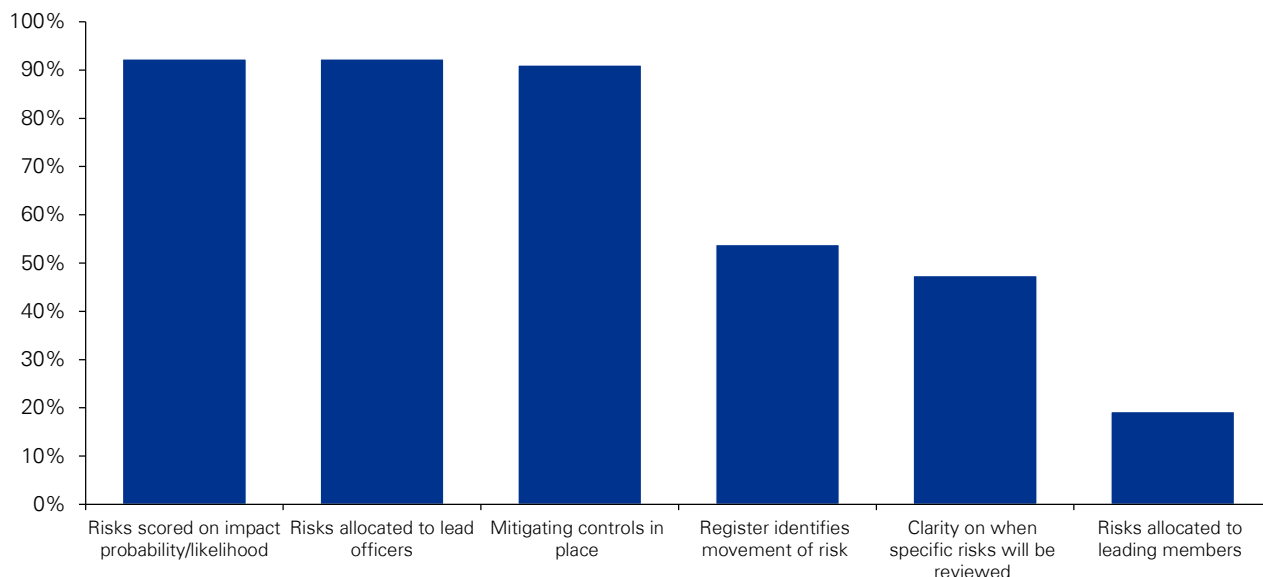
Human resources issues in relation to staff morale and corporate capacity also feature in the most frequent risks in district councils. Linked to corporate capacity is also the ability to deliver major projects which again features in the assessment above.

South Hams District Council (the Council) has adopted a consolidated Corporate Risk Register that is shared with West Devon Borough Council. This includes a specific risk in relation to the delivery of the Medium Term Financial Strategy which makes particular reference to the impact in reductions in central government funding. This is currently assessed with a risk rating of 12 (from a maximum of 25) with plans in place to reduce it to six. Like many authorities, the Council has recognised a risk in relation to IT systems as part of its wider Business Continuity risk. This is again scored as 12 at current but with plans to reduce it to a score of two.

The Council’s Corporate Risk Register includes risks relating to the majority of the common risks set out above. Whilst there is no risk identified in relation to staff morale, a related concern over the adequacy of staffing resources is specifically recorded. There is, however, no risk identified in relation to planning and development.

Local authority corporate risk register analysis (cont.)

Survey Responses on Risk Register Reporting and Responsibilities



The chart above analyses the risk registers reviewed across all types of local authority. As expected, a high level of registers score risks on impact, probability and the controls in place and risks are allocated to lead officers.

However, fewer risk registers clarify when a risk is to be reviewed, which could result in the risk not being dealt with appropriately and provides less assurance. Further to this, risks do not appear to be regularly/widely allocated to lead members, which could reduce the scrutiny of these risks.

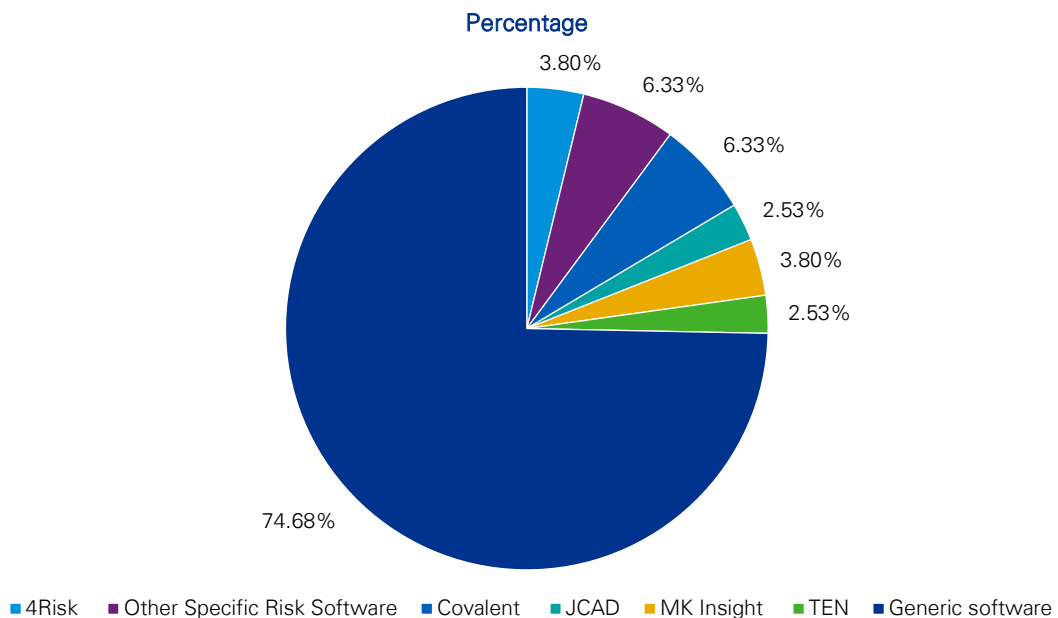
The Council's approach to risk management requires that all risks are scored in relation to both likelihood and impact. This is undertaken in relation to both the current position and the target position after planning mitigating actions have been considered. Based upon the current risk rating, a decision as to the response to be made is formally recorded. This includes both the overall response (to mitigated, tolerate, transfer or terminate the risk) and the detailed actions to be completed. All risks are allocated a risk owner and updates are taken to the Audit Committee on a six-monthly basis.

Local authority corporate risk register analysis (cont.)

Software used to support risk management

The chart below shows that 75% of authorities do not use specific risk management software, often preferring to use spreadsheet systems to record the risks. Spreadsheet systems are potentially less robust, offer reduced analysis and reporting functionality and usually involve more manual interaction compared to specific software, but are often seen as simpler and more flexible. Of the authorities that do use specific software, the most commonly used packages are Covalent, 4risk and MK Insight.

The Council has adopted the use of Covalent as its risk management system. This system is currently used by just over 6% of our client base.



Moving forward

It is noted that in the wider Public Sector many bodies are now using Board Assurance Frameworks/Assurance Mapping. Assurance mapping is the process where risk reports set out the controls and assurances in place to confirm that risks are being addressed. Setting out the assurances can give lead Officers and Members confirmation that assurance is in place and that the quality of the assurance is sufficient against the risk.

Our work has identified limited use of such tools in the local authority sector.

Our comparison exercise identified that:

- Risks were linked to strategic objectives in 57% of reports;
- Assurances were reported in 53% of the reports; and
- Effectiveness of controls were reported in 49% of the reports.

These are important elements of assurance mapping processes and our work suggests there is significant scope for local authorities to develop in this area.



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