



Local Authority Corporate Risk Register Analysis

District Councils
Rotherham Metropolitan Borough Council

Local authority corporate risk register analysis

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.

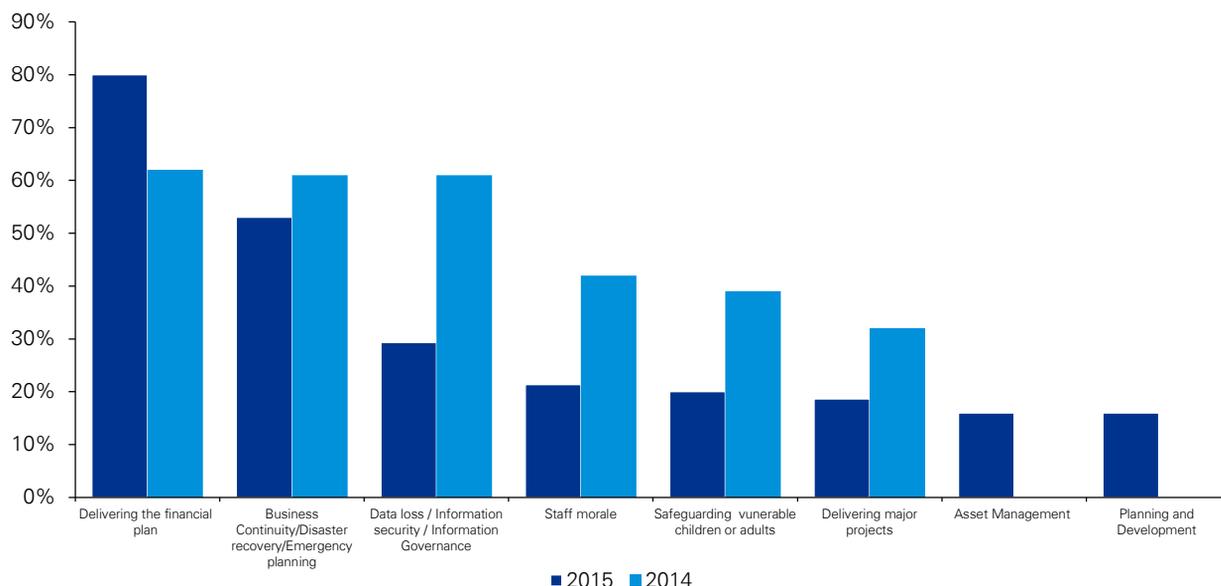
Purpose

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.

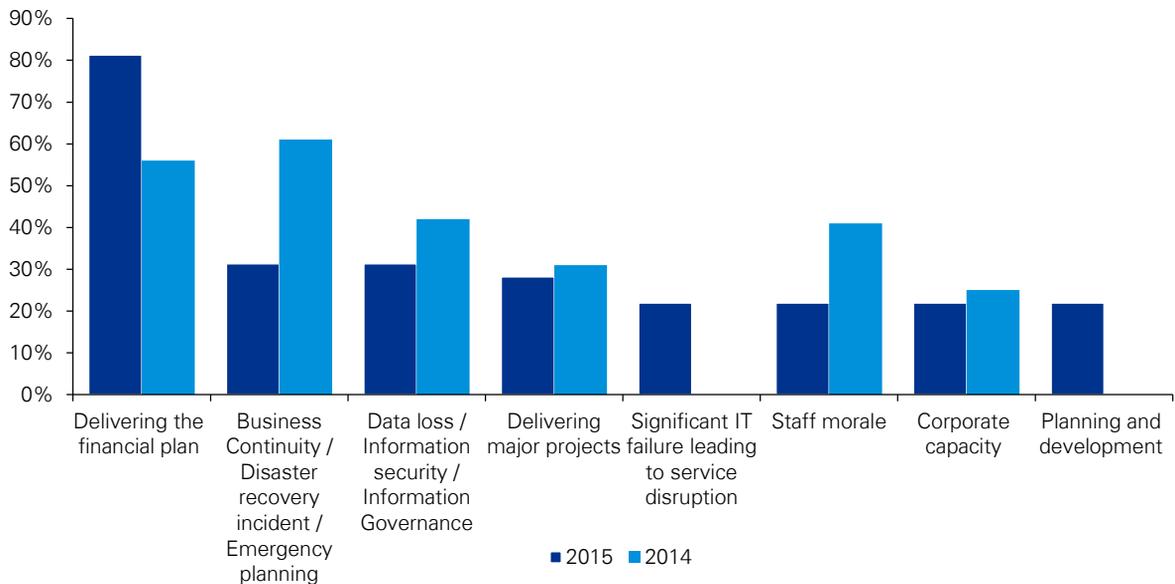
Compared to the same analysis last year, the following risks are new for 2015:

- 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.

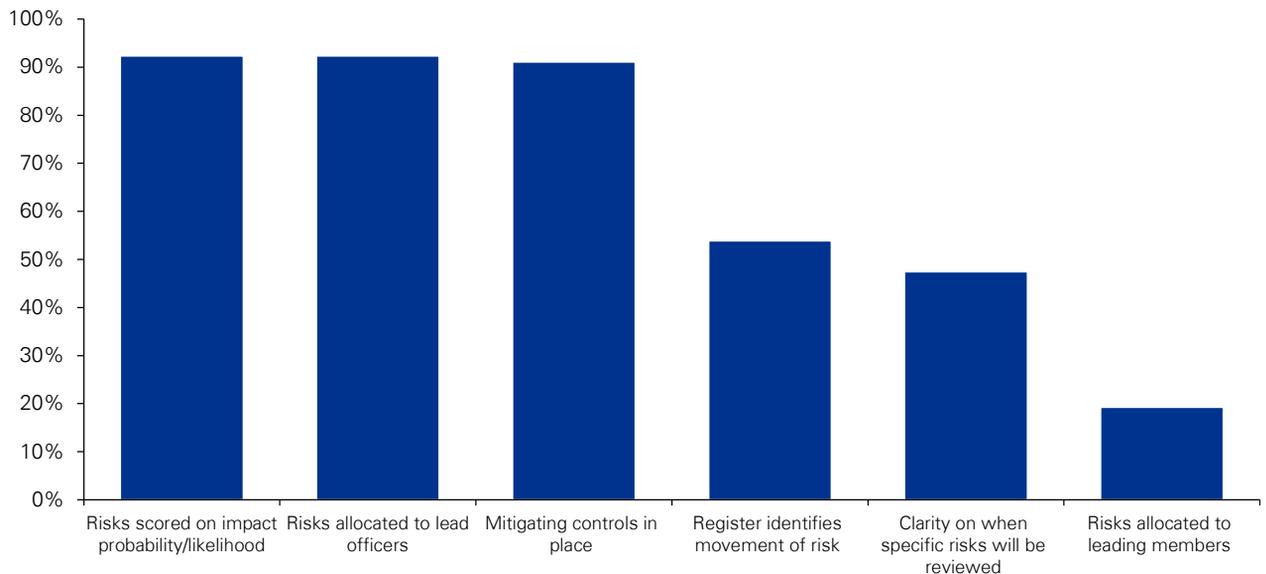
We note we see more risks in relation to **Significant IT Failures**, (21% of districts) and **Planning and development** compared to 2014, however **Delivery of major projects**, **Staff morale** and **Corporate capacity** remain significant residual risks throughout local government. **Partnership 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.

Rotherham Council’s strategic risk register incorporates all of these risks in one form or another. The Council has scored ‘Delivery of critical Council services within resources available in the medium term (MTFS)’ as a 20. The Council’s highest scoring risks are under the heading of ‘Every child making the best start in life’ which reflects the specific issues experienced by the Council in recent years.

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 authorities. 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, less 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.

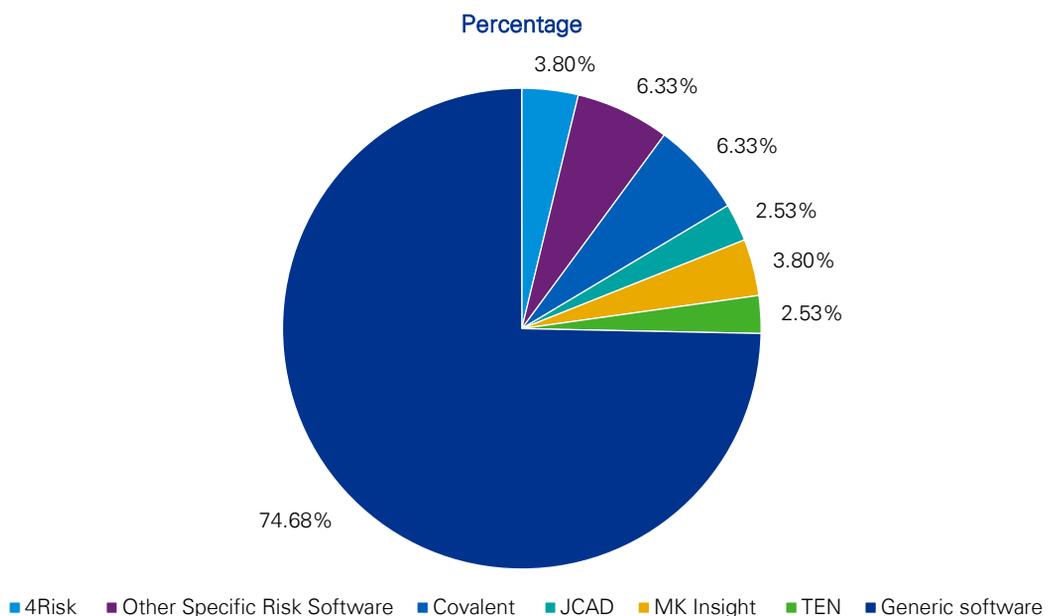
Rotherham Council is currently in the process of overhauling its risk management processes. The strategic risk register currently scores risks on impact and probability considering the existing controls/actions that are in place and then also provides a target score following further management action and implementation of controls. There is an assigned risk owner who is the officer responsible for managing risk and controls) and a risk review date. The majority of the risk owners are at Director level.

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. These systems are potentially less robust compared to specific software. Of the authorities that do use specific software, the most commonly used packages are Covalent, 4risk and MK Insight.

Until recently, the Council made use of the on-line JCAD Risk Software to manage their risks. This software has now been overtaken by a new spreadsheet and scoring system.



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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