

**Audit Committee – 8<sup>th</sup> June 2016**

**KPMG – LOCAL AUTHORITY CORPORATE RISK REGISTER ANALYSIS**

**1. Purpose of Report**

- 1.1 The purpose of this report is to provide a response to the report supplied by KPMG regarding the analysis that has been undertaken regarding elements of the Council's Risk Management arrangements.

**2. Recommendations**

**2.1 It is recommended that the Audit Committee:-**

- (i) Considers the response to the KPMG report; and,**
- (ii) The Audit Committee approves the response to the KPMG report.**

**3. Background**

- 3.1 The Authority is in receipt of a report compiled by KPMG regarding Local Authority Corporate Risk Registers. The exercise compared the content of corporate risk registers from a range of Local Authorities. The outcome highlights the most frequent risks featured across Local Authority Risk Registers.
- 3.2 The report also considered the arrangements in place to maintain and review risk registers. This analysis undertaken by KPMG focused on the following key questions:
- Do Local Authorities use a specific software package to support risk management?
  - How often are strategic risks reported, and the responsibilities of officers and Members in the strategic risk review process; and,
  - How developed are the Councils arrangements regarding Corporate Assurance Mapping.
- 3.3 A gap analysis of BMBC's own risk management arrangements has therefore been undertaken to:
- Assist in identifying 'gaps' within BMBC's own Strategic Risk Register (SRR), or, provide assurances that the SRR remains fit for purpose;
  - Provide details of the software packaged used to support risk management; and,
  - Provide details of the reporting and responsibility arrangements in place regarding the SRR.

#### 4. Gap Analysis – SRR

- 4.1 The following table details the most frequently featured risks within Single Tier Councils which were identified by KPMG.

Details of the corresponding BMBC risks are logged, with further comments also included where appropriate:

KPMG Risk Area	BMBC SRR Risk
Delivery of the Financial Plan	Risk 3034 – Failure to deliver the MTFs - 'Failure of Future Council to achieve the required level of savings'
Business Continuity / Disaster recovery / Emergency Planning	Risk 3792 – Failure to be prepared to assist in the event of an emergency resilience event in the region Risk 3793 – Failure to ensure that appropriate disaster recovery arrangements are in place to ensure the Council is able to recover in the event of a business continuity threat or incident
Safeguarding of Vulnerable Children or Adults	Risk 3025 – Failure to safeguard vulnerable service users
Data Loss / Information Security / Information Governance	Risk 3029 – Failure to safeguard information
Performance of Children's Services	Risk 3024 – Lack of educational attainment Risk 3025 – Failure to safeguard vulnerable service users
Welfare Reform / Universal Credit	Included within Risk 3034.
Performance of Adult Services	Included within Risk 3031 – Strategic Performance, governance or compliance failure and Risk 3023 - Failure to engage with stakeholders
Health and Social Care	Risk 3026 – Failure to achieve a reduction in Health inequalities within the Borough. Risk 3047 – Failure to protect the health of the population from preventable health threats.

- 4.2 It is noted in the report provided by KPMG, that:

'Barnsley MBC currently has two significant / 'red' risks on its strategic risk register, relating to Health Inequalities and Emergency Resilience / Disaster recovery. The remaining items on the Council's risk register are broadly in line with those listed above which confirms that the Council is in line with the common risks being recorded within single tier authorities'.

- 4.3 In order to demonstrate a level of compliance, over and above the finding identified by KPMG, it is worth noting:

- During the last review of the SRR (undertaken in March 2016), it was decided to split an existing risk regarding business continuity and emergency resilience arrangements into two discrete areas, as detailed above (risk 3792 – Failure to be prepared to assist in the event of an emergency resilience event in the region and 3793 – Failure to ensure that appropriate disaster recovery arrangements are in place to ensure the Council is able to recover in the event of a business continuity threat or incident). This is intended to provide a greater level of clarity regarding the Council's ability to respond to emergency incidents, and its own ability to recover in the event of a disaster;
- Risk 3794 ('Failure to influence the governance arrangements underpinning and controlling the emerging City Region Deal Devolution Deal enable an appropriate blend of risk and

reward for the Council') was also developed during the last review of the SRR in March 2016. This risk reflects the uncertainties that affect the Council regarding the emerging City Region Devolution Deal, and potential changes to skills, employment, housing, planning, transportation and business growth arrangements. The risk also acknowledges the potential shift in governance arrangements for the Council itself, and the Sheffield City Region;

- During the review undertaken in March 2015, a risk regarding the failure to develop the Borough's economy was replaced with a more refined risk regarding the availability of land and housing to achieve economic objectives (risk 3543 – Failure to ensure the adequate supply of land for housing and commercial property growth).

## 5. Risk Register Reporting and Responsibilities

- 5.1 The following table details process related elements identified by KMPG, that are relevant to the management of (strategic) risk:

KPMG Risk Element	BMBC SRR Risk Comment
Risks scored on Impact and Probability / Likelihood	All risks are allocated a 'Concern' Rating. All risks are assessed in terms of Probability and Impact within MKI.
Risks allocated to Lead Officers	All risks logged on the SRR are owned by SMT. All risk mitigation actions are allocated to a member of SMT or BLT;
Mitigating controls in place	All risks contain details of 'current controls' and 'risk mitigation actions'.
Register identified movement of risk	The SRR report presented to SMT details a current assessment, along with the last 3 iterations of the assessment. Details of the direction of travel for all risks logged on the SRR are included as an appendix to reports to the Audit Committee and Cabinet.
Clarity on when specific risks will be reviewed	All risk mitigations include a 'Review By' date.
Risks allocated to leading Members	No lead Members for specific risks, or risk management itself have been identified.

## 6. Software used to support Risk Management

- 6.1 The analysis provided by KPMG identifies a number of Local Authorities (75%) that are not using specialist risk management software.

- 5.2 KPMG has identified that 4% of the sampled Councils use the same system (Morgan Kai Insight) that Barnsley has selected for the logging and recording of risks. This places the Council in a strong position in terms of having a specific risk management database to log and record all risks identified by the Council. This assists in ensuring that:

- Risks are recorded in a uniform and consistent manner;
- Version control regarding risk registers can be maintained at all times; and,
- Reporting and aggregation of risk can be performed easily.

## 7. Assurance Mapping

7.1 KMPG notes that a number of Councils are now developing Board Assurance Frameworks or Assurance Maps. The Council is in the process of developing its own Corporate Assurance Map, which is envisaged to:

- Assist in identifying and addressing gaps in assurance and streamlining assurance coverage;
- Provide evidence on which to base the Annual Audit Plan; and,
- Provide a mechanism to link assurances from various sources against key governance controls to provide a quantifiable assessment of the Council's governance arrangements.

7.2 The Council has already begun its own journey to develop a Corporate Assurance Framework that intends to identify and map the governance and control environment for the Council, and provide assurances as to the strength and quality of each specific governance area. A series of workshops with internal control and governance lead officers have been delivered, and the outcomes of these workshops will be considered by the Council's Corporate Assurance Group (who have been reconvened to lead in the development of the Councils Corporate Assurance Framework) at their meeting in May 2016.

7.3 It is likely the guidance developed by KMPG in this regard will help to influence and direct this emerging framework.

## 8. Outcomes

8.1 The outcomes of the analysis of BMBC Risk Management arrangements against those identified by KMPG confirm that:

- The **content** of the SRR is in line with other similar Local Authorities;
- The **system used to record risks** within BMBC places the Council in a minority group. However, the benefits described in section 5.2 provide positive assurances regarding the use of a risk management system;
- The **risk register reporting and responsibility arrangements** in place are in line with other similar Local Authorities; and,
- The Council's emerging **Corporate Assurance Framework** arrangements are in line with other similar frameworks that are being developed by other Councils.

## 8. Further Information

8.1 Further information regarding this analysis is available by contacting the Authority's Risk Management Section.

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**Date:** 10<sup>th</sup> May 2016