

# Report of the Director of Finance to the meeting of the Governance and Audit Committee on 12<sup>th</sup> December 2014

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**AA****Subject: Risk Management Update as at 30<sup>th</sup> November 2014****Summary statement:**

Bradford Metropolitan District Council provides a considerable range of vital services to the people of Bradford district, from education and social care to managing local elections, processing benefits payments and refuse collection amongst many others.

Because of the importance, diversity and number of services the Council provides it is essential that we recognise, manage and monitor the key risks that could threaten our organisation and the delivery of its strategic priorities for the district. Our Risk Management Strategy helps us to do this and defines the risk management process.

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**Portfolio:****Corporate****Overview and Scrutiny Area:****Corporate**

## **1.0 Summary**

- 1.1 Bradford Metropolitan District Council provides a considerable range of vital services to the people of Bradford district, from education and social care to managing local elections, processing benefits payments and refuse collection amongst many others.

Because of the importance, diversity and number of services the Council provides it is essential that we recognise, manage and monitor the key risks that could threaten our organisation and the delivery of its strategic priorities for the district. Our Risk Management Strategy helps us to do this and defines the risk management process.

## **2.0 Background**

- 2.1 In their Interim Report 2013-14 of the 20<sup>th</sup> June 2014, the external auditors commented on the lack of reporting to Members and Executive in respect of risk and risk management, recommending that

“The Executive and Governance and Audit Committee should agree the timing and format of reports needed to help them fulfil their roles in risk management”

In response it was agreed that Risk Management will be a standing item each quarter on CMT's agenda and that Internal Audit will work with Members to determine their reporting needs.

- 2.2 There has also been a recent study by KPMG on Risk Registers across Councils nationwide which enables a comparison of Bradford's risk register with similar organisations. The study also looks into how software is used to support risk management and how often risk registers are reviewed by the relevant officer and member groups.
- 2.3 The Council's Internal Audit department has also issued recently a number of draft internal reports which reviewed risk management both corporately and on a departmental basis. The draft findings have been included in this report though these have yet to be agreed and finalised with departmental management.
- 2.4 The identification of risks is derived from both a 'top down' (corporate) and a 'bottom up' (departmental) process of risk assessment and analysis. The identified risks are subsequently prioritised to identify key issues for management action, which will be incorporated into the corporate and department planning process. These risks are recorded in the Corporate or Departmental risk registers.
- 2.5 This report serves to update the Governance and Audit Committee on the progress made and to seek guidance on any future activity on risk management.

## **3.0 Council Management and Member Reporting**

- 3.1 CMT have received in July 2014 a report on the risk register and the benefits of reporting risks through the format of the Council's Quarterly Finance and Performance Reports and proposing a method of how to report. This was agreed in principal but concerns were raised with the format of the information when a risk report was prepared for the first half year monitoring report. The concern was to ensure that the Council is able to clearly describe the risks it currently manages and that the messages published could not be misinterpreted.
- 3.2 It is intended that a revised report will be prepared for the Financial Position Statement for the Third Quarter for the Executive timetabled for the 10<sup>th</sup> February 2015.

## **4.0 KPMG Research**

- 4.1 KPMG undertook national research across 70 local authorities and noted the key corporate risks identified within local authority risk registers. These are listed below
- a) Business Continuity, Disaster Recovery, Emergency Planning
  - b) Partnership Arrangements, Governance
  - c) Delivering the Medium Term Financial Strategy, Savings Targets, Delivering Funding Cuts
  - d) Data Loss, Information Security, Information Governance
  - e) Staff Morale
  - f) Welfare Reform, Universal Credit,
  - g) Health and Safety Compliance
  - h) Safeguarding Vulnerable Children or Adults
  - i) Delivering Major Projects
  - j) Delivering Organisational Change
- 4.2 In Bradford all these issues have been raised either through the Council's risk register or through issues raised within the Annual Governance Statement. It should be noted that the Council's risk register is more external facing, reviewing issues such as regeneration, educational attainment and threats to the delivery of its other strategic priorities rather than a management focus on the Council's own internal procedures.
- 4.3 Bradford Council's risk register is held on the performance management system Covalent which was the system most utilised by the Councils surveyed by KPMG.
- 4.4 In respect of the reporting of risks the average across local authorities was that a senior officer review would take place 4 times a year and member review would take place three times a year. If the current proposal was implemented, to incorporate risk management into the regular finance and performance monitoring reports of the Council, then this would bring the Council's risk management processes within the standard reporting cycle across councils.

## **5.0 Internal Audit scrutiny of the Risk Management process**

- 5.1 During October – November 2014 Internal Audit examined the risk management process as indicated by a small sample of risks pertaining to the following corporate priorities –
- Financial stability and efficiency
  - Supporting the District's economy and regeneration
  - Reducing health inequalities
  - Supporting the most vulnerable individuals and families
  - Improving educational attainment

In addition the audit reviewed the overall Corporate arrangements for risk management across the Council.

- 5.2 Internal Audit's findings indicated that risk management was generally well embedded, but with more to do to make mitigating actions clearer and to ensure updates on the corporate risk database (Covalent) are more timely. The performance on risk management against key lines of enquiry at departmental level is detailed in the table below

<b>Key Line of enquiry</b>	<b>% of risks found to be satisfactory</b>
i) Are internal controls tangible with appropriate evidence to confirm their operation?	80%
ii) Is the process to assess the risk appetite logical and evidence based?	80%
iii) Does the risk assessment score seem reasonable?	100%
iv) Are actions taken against each risk SMART and up to date and realistic in bringing the current risk down to the target risk level?	60%
v) Are Risk Co-ordinators updating the system in accordance with triggers/reminders set in Covalent ie at least quarterly?	60%

**5.3** Recommendations for improvement were made particularly in respect of ensuring evidence of regular review of the risk environment, where applicable, defining more clearly the role of Corporate Risk Coordinators and the provision of refresher training for CMT and Department Management Teams.

## **6.0 Legal appraisal**

There are no legal issues arising from this report.

## **7.0 Other Implications**

### **7.1 Equal rights Implications**

There are no direct equal rights implications

### **7.2 Sustainability Implications**

There are no direct sustainability implications

### **7.3 Community Safety Implications**

There are no direct community safety implications

### **7.4 Human Rights Act**

There are no direct human rights implications.

### **7.5 Trade Union**

There are no direct trade union implications

### **7.6 Greenhouse Gas Emissions Impacts**

None

### **7.7 Ward Implications**

None

**8.0 Not for publication documents - None**

**9.0 Recommendations**

9.1 That the Governance and Audit Committee –

Notes the continuing work being undertaken throughout the organisation to ensure that risk management is being applied in accordance with the Council's Risk Management Strategy.

Provides comment or observation in support of further improvement of the risk management process as the Committee feels appropriate.