BRISTOL CITY COUNCIL
AUDIT COMMITTEE
DRAFT REPORT
9ᵗʰ NOVEMBER 2012

Report of: Strategic Director - Corporate Services

Report Title: Annual Report - Risk Management

Ward: Citywide

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RECOMMENDATION

The Audit Committee note the progress and areas for future development regarding risk management arrangements in the City Council.

SUMMARY

This report provides a summary of the developments made to risk management and internal control processes during 2011/12 and this year to date.

The significant issues in the report are:

- Strategic approach (para. 2.1.1 - 2.1.4)

- Corporate Risk Register - Core Cities Benchmarking exercise (para. 2.2.1 - 2.2.3)

- Improvements seen in risk assessments in decision making (para. 2.3.1 - 2.3.4)

- Risk management peer review with North Somerset Council and conclusions (para. 2.7.1 - 2.7.4, and Appendix 1)

- 2012/13 forward work programme (para. 3.1 - 3.2)

Policy

The Risk Management Strategy & Policy 2011 -2012 requires the Audit Committee to provide independent assurance and scrutiny of the risk management, internal control and corporate governance arrangements in place.

Consultation:
Internal: None necessary

External: None necessary

1. Introduction

1.1 The Audit Committee's terms of reference includes responsibilities for overseeing risk management arrangements. Historically, the roll out of risk management across the City Council has been a key element of the Internal Audit programme. During 2011/12 and to date, a number of developments have been ongoing to improve the risk management and internal control framework in place across the City Council, which are outlined below.

2. Progress during 2011/12 and to date:

2.1 Strategic approach

2.1.1 The 2011 - 2012 Risk Management Strategy & Policy approved by the Audit Committee in November 2011 sought to establish key strategic principles to cover:

- Leadership and review of risks

- Improved decision making

- Training tailored to needs

- Achieving (and evidencing) better service outcomes

2.1.2 Key to what has been successfully achieved in the first of these principles is the full support and involvement of the Strategic Leadership Team and Executive Members in the regularised and close oversight of the risk review process. Risk reports provided by the corporate risk management computer software known as SPAR.net has also been fundamental to the progress achieved.

2.1.3 There has been marked progress in the provision of risk assessments to accompany Cabinet reports as further support towards informed decision making, plus full access to on-line risk management training has been successfully rolled out to officers and Members.

2.1.4 Further work remains around fully achieving and evidencing better service outcomes, as concluded from a peer review recently undertaken with North Somerset. Paragraph 3 of this report sets out the work programme already underway for 2012/13 to develop improvements in this area.

2.2 Corporate Risk Register (CRR) - Core Cities Benchmarking exercise

2.2.1 A (Corporate Risk Management Group) Workshop review of the content and structure of the CRR was undertaken to ensure it adequately reflects the strategic risks facing the Council and that it is a focus for Members and senior management upon a short-list of only the most significant risks. The opportunity was taken to benchmark with Core Cities. The findings indicated a marked similarity with the types of risk being managed at Bristol with those elsewhere.

2.2.2 Consideration was also given to research work undertaken by Zurich, the leading public sector insurer and risk manager in the UK, resulting from which

the following principal risk categories were identified to be:

Managing partnerships with other organisations	Climate change	Vulnerable groups in the Community
Funding and good financial management	Project management	Customer satisfaction
Human resource issues	Changes in population	Miscellaneous
Crisis planning	Information Technology	

2.2.3　Consequently, and forming part of a summary header sheet to the CRR, individual corporate risks are now presented within each of these categories in descending high risk order. The presentational structure of the register itself remains unaltered, ie highest risk to lowest risk irrespective of categorisation.

2.3　Improvements seen in risk assessments in decision making

2.3.1　Following an Internal Audit review of the quality of decision making reports and their accompanying risk assessment a revised risk assessment section for the Cabinet report template was introduced in September 2011.

2.3.2　Cabinet report authors are consequently required to consider and set out the risks associated "with implementing the decision" and "with not implementing the decision" in a uniform, tabular format which must detail the mitigations to each risk and identify the risk owner.

2.3.3　The quality of the risk assessments submitted to Cabinet in the first half of 2012 has been independently test-checked as part of a peer review study with North Somerset Council (further outlined at para. 2.6) which reported that "The quality of risk management in decision making is good and decision notices contain comprehensive risk assessments. Management feel that this has added to the quality of decisions made..... Members are able to .... make decisions in the full knowledge of the risks."

2.3.4　Internal Audit will continue to keep the quality of risk assessments submitted to Cabinet under review to ensure continuity of improvement.

2.4　Member Involvement /Strategic Risk Review

2.4.1　The most significant involvement from the Cabinet Members and Audit Committee Members continues to be their key role in reviewing the Corporate Risk Register at regular half yearly intervals. Initially, the Strategic Leadership Team undertakes the first phase review of the Corporate Risk Register and thereafter the Strategic Director Corporate Services confers with the Resources Executive Member before reporting to Cabinet Briefing for final review. In the intervening quarterly periods the Strategic Director Corporate Services coordinates an "offline" review with the risk owners in preparation for his report to the Audit Committee.

2.4.2　To facilitate the decision making process, Cabinet is routinely involved in

reviewing the key risks summaries included with all capital and strategic projects submitted to them for approval.

2.4.3 The Resources Executive Member has been the Member Risk Champion providing the Member input to the maintenance and continued development of the risk management framework across the Council.

2.4.4 During 2011/12 the Audit Committee received the Corporate Risk Register (twice), and the Health & Social Care Directorate and the Corporate Services Directorate key risk registers as information items. Risk registers for Neighbourhoods & City Development, and Children & Young People's Services were reported as main agenda items. In accordance with the wish expressed by the Audit Committee all risk registers for the current municipal year will be submitted as main agenda items.

2.4.5 The Audit Committee contributed to the revision of the Risk Management Strategy and Policy 2011 - 2012 which was approved by Cabinet in January 2012.

2.5 Risk Management Group

2.5.1 The Group has been in existence for several years. It is comprised of senior officers and includes the Strategic Director Corporate Services as responsible Director who chairs the Group. The Member Risk Champion is invited to attend, and the Group continues to meet three times per year with a primary aim to identify and share best practice on risk management. The areas it has most actively promoted in 2011/12 are detailed as follows:

  • review of the content and structure of the Corporate Risk Register (CRR)
  • completion of the on-line Risk Management training course within individual Directorates
  • integration of risk reporting within the performance management framework
  • development of data security and information management standards generally
  • monitoring the improvement actions arising from the Annual Governance Statement
  • peer review comparison with North Somerset risk management arrangements

2.6 E-learning Risk Management Training Package

2.6.1 In January 2012 Internal Audit rolled out a computer based e-learning risk management training course, designed primarily to promote risk awareness and the effective management of opportunities amongst 1st - 4th tier management, and selected Members.

2.6.2 The course has been completed to date by 50% of officers although take up

by the Members has been less active to date. Internal Audit will continue to encourage for a more widespread completion of the course.

2.7 Risk management peer review with North Somerset Council and conclusions

2.7.1 Following an initial approach from North Somerset Council it was agreed Bristol City Council would participate in a peer review of the respective risk management arrangements in place at both Councils. The review took place in July/August 2012, and the concluding report on Bristol City Council is attached at Appendix 1.

2.7.2 The main findings on the risk management arrangements for Bristol City Council are summarised as follows:

Strengths
- sound RM framework, supported by appropriate guidance/training/ tools
- computerised SPAR.net risk register system facilitates risk ownership by senior management
- major change programmes supported by appropriate RM processes
- key decisions underpinned by comprehensive risk assessments

Areas for further development
- better alignment between corporate and change risk management
- better integration between performance and RM processes/reporting
- more comprehensive RM process at service/team level
- more consistent Member involvement at CRMG
- more consistent RM process for major partnerships, including maintenance of joint risk registers
- better uptake of available training by Members and officers

Steps to address these areas now form part of the 2012/13 Work Programme which is outlined at para. 3.

2.7.3 Some of these areas for development identified above in respect of Bristol City Council also require similar development in North Somerset Council. However, a most noticeable strength observed in North Somerset Council emanated from their relative political stability which has fostered unbroken continuity for Executive Member involvement with the Corporate Risk Management Group (CRMG). Consequently, the same Member Risk Champion had attended the CRMG for the past 4 years and was pivotal in maintaining strong links between the Members and officers as they have sought to embed a sound risk management framework.

2.7.4 From North Somerset Council's perspective, they were impressed by the corporate SPAR.net computerised risk registers maintained by Bristol City Council. As a smaller authority with limited resources available they have not been able to progress beyond essentially manually spreadsheet based registers. However, following the peer review, they are seeking to incorporate a practice now routine at Bristol whereby Executive Members are consulted as part of the quarterly risk register review process.

3. Work Programme for 2012/13

3.1 Priorities for work for the remainder of 2012/13 will focus upon progressing the areas identified for improvement in the peer review study with North Somerset Council. This will encompass a continuation of the work already underway whereby:

- Internal Audit and the Portfolio Management Office liaise to ensure a coordinated risk management approach towards corporate risk and the change management programmes.

- key performance objectives identified for the Strategic Outcomes are fully risk mapped against corporate and directorate risks

- a closer working liaison is developed with Directorate risk representatives to ensure more regular and effective reviews of operational risks at the service planning level

- a repeat invitation is extended to Members to take up the risk management training opportunity, and (pending the outcome of the Elected Mayor) arrangements put in hand to confirm a Member to lead on risk management issues and to receive invitations to attend Corporate Risk Management Group meetings

- Internal Audit undertakes a review of the risk management processes currently adopted by significant partnerships

- Service managers undertake follow up reminders with those Officers yet to complete the risk management training.

3.2 Other areas included for attention in the risk management programme for continuous development are:

- review of risk management guidance to ensure it remains relevant and up to date
- review of risk management web pages to ensure they provide easy and logical access.

4. Risk Management Strategy & Policy 2011 - 2012

4.1 The Risk Management Strategy & Policy 2011 - 2012 was last reviewed and agreed by the Audit Committee in November 2011, and by Cabinet in January 2012. It is subject to a two year review cycle and will be brought to the Audit Committee in November 2013.

4.2 The policy section currently outlines the aims and key principles for managing risk, provides an overview of the framework and describes the mechanisms for its successful implementation. Internal Audit continues to progress the strategy which sets out a clear plan for consolidating, progressing and further embedding effective risk management into the culture of Council working.

5. Risk Assessment

5.1 The risk management process minimises the risk of failures in the Council's service provision; supports the internal control environment and governance arrangements, and helps to ensure that the key corporate risks facing the Council are properly addressed and managed. The risk management policy is prefaced with an actions based strategy to embed the risk management culture more effectively within the Council. Additional focus upon required improvements has been highlighted by the findings from the peer review study undertaken in August 2012 with North Somerset Council for which an action plan is in place.

6. Equalities Impact Assessment

6.1 None necessary for this report

7. Legal and Resource Implications

7.1 **Legal** - none sought

7.2 **Resource implications** –   90 days have been allocated in the 2012/13 Internal Audit Plan to facilitate the progression of risk management.

Appendices

Appendix 1 Risk management arrangements: Peer review - North Somerset Council and Bristol City Council

LOCAL GOVERNMENT ACCESS TO INFORMATION

Background Papers

Risk Management Arrangements

Peer Review -   North Somerset Council

Bristol City Council

September 2012

Risk Management Arrangements

Peer Review – Bristol City Council

By: Caroline Andrews - Business Audit Manager
Duncan Kioni - Senior Auditor Risk Management
North Somerset Council

8th October 2012

Executive Summary

Effective risk management is a cornerstone for running a successful organisation. The rapidly changing environment and economic pressures means effective risk management is more critical than ever.

Bristol City Council (BCC) and North Somerset Council (NSC) have both developed their risk management (rm) arrangements over the last couple of years. They considered an independent review of the effectiveness of their arrangements was timely. The two authorities therefore agreed to a peer review which was undertaken during August 2012. The review has been in done in the context of changes made to the risk management arrangements, an organisational restructure, introduction of a new system, development of a portfolio officer role and significant political changes, with a new mayor to be elected in November. The findings of the review are as follows;

We found many strengths in Bristol City Council's approach to managing risks. These include:

- The corporate (incorporating strategic and operational) risk management process is sound and works well.

- Risk management is supported by appropriate and current guidance, training and tools.

- The council's SPAR.NET system has made a significant contribution to ensuring senior ownership of risk management.

- The council's major change programme (portfolio office) is supported by appropriate risk management processes.

- Risk management of many major partnerships is good but this is not consistent for all partnerships.

- The quality of risk management in decision making is good and decision notices contain comprehensive risk assessments. Management feel that this has added to the quality of decisions made.

- There is a good approach to member engagement for some parts of the risk management process.

The council has a good understanding of its strengths and weaknesses in risk management. It is working to improve its arrangements. Areas for development include:

- The corporate and change (portfolio) risk management processes are separate and not currently aligned. The council is beginning the journey to bring these together.

- The council is also beginning its journey to integrate performance and risk management processes and reporting.

- The corporate risk management process is not currently enforced at service and team level.

- The corporate risk management group would benefit from more consistent involvement from members.

The peer review process has been mutually beneficial. Fundamentally both organisations adopt sound risk management processes with differences in application to reflect the differences in the two organisations. Bristol City Council adopts a more structured and disciplined approach to risk management than North Somerset Council. Bristol City Council's approach is supported by specialist software whereas North Somerset Council uses spreadsheets. Both organisations have determined to use these differences to inform their own approach. There are areas where both organisations need to improve such as alignment of corporate and programme risk management. There is good potential to extend the benefits of the peer review process to other parts of the councils' operation.

Detailed report

Introduction
Bristol City Council has used national and local surveys of risk management to good effect. Survey results fed into its risk management strategy and policy. It has a good understanding of its strengths and weaknesses in risk management and developed improvement plans to address weaker areas.

Approach

Peer review is an accepted business improvement technique. The benefits include:
- an independent assessment of arrangements;
- cost effective approach;
- benchmarking and learning for the organisation; and
- learning and development for the reviewers.

Through the Audit Managers and strategic risk leads at each organisation, Bristol City Council and North Somerset Council agreed to a peer review of risk management.
The work was undertaken by:
- Dick Lawrence – Group Risk Auditor, Bristol City Council;
- Caroline Andrews – Business Audit Manager, North Somerset Council; and
- Duncan Kioni- Senior Auditor Risk, North Somerset Council.

Both reviews were undertaken during August 2012. The review at Bristol City Council comprised:
- a review of relevant documentary evidence. This was chiefly provided by the Group Risk Auditor.
- a series of interviews with risk champions, the strategic director who leads for risk management, the member who leads for risk management and a number of other officers.
- BCC's arrangements were compared and contrasted to those in place in North Somerset Council and against best practice.
- findings were discussed and agreed with Bristol City Council's Group Auditor Risk and the Strategic Director Corporate Services.
- the draft report will be similarly agreed and subsequently presented to Bristol City Council's Corporate Risk Management Group.
- We have not made any specific recommendations and understand that Bristol City Council will use the findings from this review to inform their risk management improvement work plan.

Detailed Findings

The council's risk management arrangements are in line with best practice but there is more to do to ensure this translates into effective action across the council.

Governance of risk management is sound. There is clear accountability for risk management. The corporate risk management group has senior representation and works to improve the effectiveness of the council's risk management. Senior managers take responsibility for ensuring risks are adequately managed. Risk champions are working to embed effective risk management in the council's operation. Risk champions have diverse views about the scope of their role. The council maintains active risk registers. These are detailed and include inherent and residual risk scores, ownership of risks and mitigations and target dates for action. The risk registers are regularly updated and reported to senior management. This is facilitated through SPAR.NET. There is regular and active discussion regarding the status of risks at directorate management and corporate management forums. Lead members also receive regular updates of the risk status. Risk is used as part of the decision making process. Training is available, however uptake is patchy. These arrangements mean that the council is using risk management techniques to further its aims.

The council takes comprehensive steps to ensure that risks are properly identified. At corporate and directorate management level regular discussions of the risk registers ensure that new and emerging risks are captured. The portfolio office uses standard techniques to identify risks to projects and programmes. It is currently working to identify cumulative risks to the council. Guidance is available to staff which provides pointers to techniques by which risks can be identified. Checklists are also available to support risk identification. This suite of mechanisms assists in the effective identification of risks to the council's operation.

Good improvements have been made in ensuring that risks are properly considered when decisions are taken by the Cabinet. This is an area the council seeks to improve further. Over the last two years the council has revised its guidance for decision making. Depending upon the type and scale of decisions, a proportionate approach is required to evaluating the risks associated with a decision. In this way, all decision making papers are accompanied by a risk assessment. Members are able to consider this and make decisions in the full knowledge of the risks.

Sound risk management arrangements are in place for the portfolio, programme and projects which make up Bristol City Council's change agenda. The portfolio adopts standard programme and project risk management methodology of the Management Centre of Excellence. Governance is developing well. Appropriate escalation ensures that risks outside project's tolerance are referred to the programme board and onto the portfolio. The Strategic Options Delivery Board receives bi weekly updates on the risk status. As mentioned above, the portfolio office is working to identify cumulative risks from the council's change programme. It is challenging the council to be more innovative in its management of risk. Sound risk management should assist the council in delivering its very challenging change agenda.

Risk management arrangements for the portfolio, programme and projects are separate to the corporate risk management arrangements. The council's risk management strategy and guidance do not fully include the portfolio, programme and projects. Different systems are used for recording and managing the risk registers and different scores are used for rating risks. There is some cross fertilisation of these parallel risk management arrangements but this is currently limited. There is good visibility of the high level risks, both corporate and portfolio by the council's senior management. By operating two parallel systems there is a risk of duplication and confusion which reduces efficiency.

The council has not yet achieved integration of its performance and risk management. It aims to integrate risk management into its performance management arrangements and also to integrate reporting. At the time of this review, the council had drafted an integrated performance report. Further work is required before the council has achieved its ambition to integrate risk with performance management.

Partnership risk management is good in places but not consistent across the council's major partnerships. For partnerships such as the Local Enterprise Partnership, risk management is formalised. There are uncertainties about partnerships with the health sector and the local strategic partnership and risk management is accordingly changing. Joint risk registers are not routinely used. The council does have risk management guidance for partnerships which provides a checklist for the type of risks typically associated with partnerships. Partnerships can be a source of significant risk for councils if not well managed.

We identified strengths in member engagement in risk management to build upon. Our work in this area was limited and our findings therefore are similarly limited. Lead members receive regular updates on their directorate risk register and similarly for the lead member for risk management. Uptake of risk management training by

members is limited. The lead member for risk management is a member of the corporate risk management group, however due to political changes within the council; attendance has been patchy over the last year. It would be beneficial for the group to have consistent member representation.

In July 2011 an Internal Audit report concluded that risk assessments in key decision reports were generally poor and steps were taken to address this. Our limited interviews indicated that the current risk management process assists officers and members to apply greater rigour in decision making. Guidance is available to officers preparing decision papers. Detailed risk management guidance for members is available to those who make decisions. There is also guidance directed to all members. A review of a sample of decision papers indicated the decision making guidance is adhered to. By building upon existing member engagement in risk management there is potential to improve the council's operation.

The council has used SPAR.NET to good effect. The corporate and directorate risk registers are held on SPAR.NET. The council purchased this software two years ago. Other risk registers are held in excel spreadsheets. SPAR.NET automates updating and reporting of the risk status. It automatically generates email reminders to risk owners requesting they update the risk and mitigations. The Group Auditor Risk is of the view that SPAR.NET has helped to embed good risk management practice at corporate and directorate level. In the past, services and teams were required to adopt formal risk registers as a mechanism to monitor and manage their risks. Recently this requirement has been relaxed to reduce the burden on front line staff. The council has not decided how it plans to address this potential gap in the future. A proportionate approach where only vital and high risk services adopt formal risk registers could be a pragmatic way forwards.

Next Steps

The peer review reports will be presented to each council's corporate risk management group. Each council will take the learning and apply this to improve their own arrangements. The two risk management services plan to maintain the links established through the peer review to enhance the effectiveness of their approach to risk management.

Acknowledgements

We would like to thank Bristol City Council for engaging in a peer review process. We would also like to thank those staff and members in Bristol City Council who participated in the review. In particular we are grateful to Dick Lawrence who acted

as key contact for the review of Bristol City Council's arrangements and who undertook the review of North Somerset Council.