

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	29 JUNE 2010
TITLE OF REPORT:	RISK MANAGEMENT REVIEW
OFFICER:	DEPUTY CHIEF EXECUTIVE

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To present the Audit and Governance Committee with an update on the process the Council follows for risk management and the way the risk register is used and updated as a positive aid to management.

Key Decision

This is not a Key Decision.

Recommendation

- THAT** (a) Audit and Governance Committee to note progress being made and compliance/(non) with risk management process;
- (b) Audit and Governance Committee to note areas for further improvements (see *Appendix A*); and
- (c) Audit and Governance Committee receives a report in September 2010 outlining risk areas and mitigation.

Introduction and Background

1. The Committee at its 19th June 2009 meeting requested a report be submitted on the process the Council follows for risk management, a report was submitted by the Corporate Risk Manager on 29th January 2010; this report is a further update on progress to date.
2. In April 2009 a review of the existing risk management strategy, policy and toolkit was undertaken which led to revision of the said documents which were approved by the Council in November 2009.
3. The Risk Management Strategy states: 'The Cabinet and Board recognise that risk management is an integral part of good management practice and to be most effective must

Further information on the subject of this report is available from
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become part of the culture of both organisations. The Cabinet and Board are therefore committed to ensuring that risk management forms an integral part of their philosophy, practices and business plans rather than being viewed or practised as a separate programme, and that responsibility for implementation is accepted at all levels within both organisations’.

4. The Deputy Chief Executive is delegated with the responsibility of co-ordinating and sustaining the Council’s risk management strategy, and monitoring its compliance and effectiveness.
5. Directors and Heads of Service are responsible for effective risk management within their areas.
6. Risk management is integral to the corporate governance framework. Effective risk management increases the probability of success and reduces both the probability of failure and the uncertainty of achieving aims and objectives. It must be integrated into the culture of the Council with an effective Risk Management Strategy, championed by the Cabinet.
7. Effective risk management includes amongst others:
 - having risk registers at appropriate levels within the Council
 - producing a balanced portfolio of risk exposure
 - is based on clearly articulated policy and approach
 - requires regular monitoring and review, giving raise to action where appropriate
 - needs to be managed by identified individuals and demonstrate commitment by the Cabinet, Directors and Senior Managers
 - is integrated into normal business processes and aligned to the strategic objectives of the Council

Key Considerations

8. It was agreed by the Council and PCT, to facilitate the reporting of strategic risks of both the Council and PCT and to further embed Herefordshire Public Service arrangements, that the Assurance Framework (AF) format prescribed in the Herefordshire Public Services Risk Management and Assurance Policy would be used for reporting strategic risks.
9. The Council has in place nationally recognised procedures for the identification, management and recording of risks coupled with effective risk management at all levels.
10. There is a clear pathway for the escalation of risks so that the Corporate Risk Register is populated with the most significant risks faced by the Council.
11. A fundamental risk management system review was undertaken in July 2009 by Internal Audit with a number of recommendations (see **Appendix A** for update on progress).
12. The overall assessment is that policies and procedures to effectively implement risk management. Further work on embedding risk management as a day to day management tool is a next step in continuing to deliver risk management.

Progress Findings

13. Assurance Framework

Background	The Assurance Framework is an extension of the corporate risk register which allows for further analysis of any extreme risks (rated 15-25), which includes, amongst others, assurance on controls, gaps in controls and gaps in assurance. The Assurance Framework format and process to be followed is laid out in the Herefordshire Public Services Risk Management and Assurance Policy.
Non compliant	Due to capacity issues slow progress has been made in implementing the Assurance Framework as the tool for reporting extreme risks to the Cabinet, PCT Board and the HPS Steering group.
Way forward	<i>To provide a consistent basis for reporting strategic risks across the Herefordshire Public Services, implementing the Assurance Framework by September 2010 is essential.</i>

14. Corporate Risk Register

Background	<p>The Corporate Risk Register is administered by the Corporate Risk Manager, all extreme directorate risks (15-25) that are considered by Directors to have the potential to inhibit the fulfilment of Council strategic objectives are considered for escalation to the Corporate Risk Register along with action plans to mitigate.</p> <p>The Corporate Risk Register is reviewed as part of the quarterly ICPR report to JMT and Cabinet. Directors, prior to the report being compiled, update those risks that they are responsible for and to add new ones as appropriate.</p>
Compliant	The Corporate Risk Register is maintained effectively by the Corporate Risk Manager and procedures for maintenance as outlined in the Herefordshire Public Services Risk Management and Assurance Policy is adhered too.
Improvements	Expediency of reporting escalated risks to the Corporate Risk Register needs to be improved, Chief Executive to remind all Directors of the importance of keeping the Council's Corporate Risk Register up to date.
Way forward	<i>All future training programmes to include an element of how to performance monitor and risk manage partners.</i>

15. Directorate Risk Registers

Background	Directors review their directorate risk registers on a monthly basis at team meetings and follow the process of escalating risks to the Corporate Risk Register as prescribed in the Herefordshire Public Services Risk Management and Assurance Policy. In reviewing risk
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registers Directors take the lead in identifying new risks and reviewing action plans.

Compliant

Directors are compliant with the Herefordshire Public Services Risk Management and Assurance Policy.

Concerns

Directors have raised their concerns about their ability to performance manage partners and seek assurance on partners risk management methodology in areas of work where they or the Directorate have not historically delivered or implemented services.

16. **Heads of Services Risk Registers**

Background

All Heads of Services have risk registers, registers are reviewed by the majority on a monthly basis.

A number of Heads of Services have not availed themselves to risk management training and development overseen by the Corporate Risk Manager.

Non compliant

Some Heads of Services were unsure of the risk escalation process and a few registers were still not in full compliance with the Herefordshire Public Services Risk Management and Assurance Policy format.

Concerns

Some Heads of Services are not fully engaged with risk management and risk management is not seen by some as a dynamic management tool.

Way forward

Training on risk management to be mandatory for all Heads of Services, simple flowcharts to be designed on risk escalation, a two page simple electronic guide to be developed, risk management to be given a higher profile by Directors reviewing Head of Services risk registers periodically.

Risk Embeddedness

17. The Council has in place nationally recognised procedures for the identification, management and recording of risks. Whilst Corporate, Directorate and Heads of Service Risk Registers are functioning and follow, in the main, the Herefordshire Public Services Risk Management and Assurance Policy, there are areas of concerns. Below Director level full engagement of risk management has become an arms length function and is not seen and used as a dynamic management tool by some Heads of Services.
18. Reengagement of Heads of Services is essential; mentoring must come from Directors and assistance provided by the Corporate Risk Manager.
19. Risk Management is well established in major projects; there is clear guidance provided by the corporate programmes team and often the Corporate Risk Manager is a member of the project board thus instilling best practice.

Community Impact

20. None.

Financial Implications

21. Training and development costs.

Legal Implications

22. None.

Risk Management

23. To better inform decision making and cope with the changes the economic climate will bring, increased emphasis must be given to further embedding risk management in the culture of the Council.

Consultees

24. Internal Audit, Directors, Heads of Services and other staff.

Areas for further improvements

No	Recommendation	Rank	Action to date
1	<p><u>Heads of Service: re-engagement.</u></p> <p>Heads of Service should be re-engaged as to their specific responsibilities under the risk management policy and the detailed requirements of the policy.</p> <p>To this end, all Heads of Service should be provided with, and complete, appropriate training and guidance by August 2009.</p>	1	<p>Heads of Service along with their management teams offered risk management training in January 2010, linking this with their service plan preparation. (12 in attendance)</p> <p>Further action to be taken:</p> <p>Risk management training to be made mandatory for all Heads of Services.</p>
2	<p><u>Risk officer: service area appointment.</u></p> <p>Every service area should nominate one senior officer, directly responsible to the Head of Service, to facilitate and administer the service area's risk management process, including the annual risk assessment and the regular updating of the risk register and corresponding Action Plan.</p>	1	<p>Some action taken</p> <p>Further action to be taken:</p> <p>Directors to issue strongly worded directive to all Heads of Service (updating risk registers and action plans on regular basis) and monitor actions by way of one-to-one meetings.</p>
3	<p><u>Risk registers: compliance with policy.</u></p> <p>Heads of Service should implement, as a matter of urgency, a risk register in the prescribed format either in substitution for, or in addition to, their existing risk register where the latter does not conform to the prescribed format.</p>	1	<p>Most Heads of Services have adopted prescribed risk register format</p> <p>Further action to be taken:</p> <p>Heads of Services not yet compliant, to be supported in becoming compliant by end of July.</p>
4	<p><u>Business plan guidance: alignment with risk policy</u></p> <p>The annual guidance for the preparation of business plans should be amended to align with the Council's risk</p>	1	<p>Incorporated in the service plan guidance document issued by policy and performance for the</p>

	management policy specifically to promote the use of a risk register template that is in the prescribed format.		2010/2013 plans. No further action required.
5	<u>Business plan guidance: overlap with risk policy.</u> The annual guidance should be expanded to include those components of the risk management policy that focus on the 'how to' of risk assessment, scoring, and escalation. In addition, the guidance should re-emphasise the need for readers to be familiar with the details of the risk management policy and toolkit.	1	Incorporated in the service plan guidance document issued by policy and performance for the 2010/2013 plans. No further action required.
6	<u>Business plans: linkage to strategic objectives.</u> All annual business plans, both at directorate and service area level, should include the Council's current strategic objectives. Directorates' plans should link the directorate's objectives to those Council's strategic objectives. Service area plans should link the service area's objectives to those of its directorate's objectives that are directly relevant.	1	Most business plans now linked to strategic objectives Further action to be taken: Directors to ensure full compliance by reviewing all business plans of Heads of Services in their directorate.
7	<u>Risk assessment: linkage to strategic objectives.</u> Heads of Service should ensure that their assessed risks are linked to their directorate's service objectives that are directly relevant, and that this linkage is evidenced in the service area's risk register.	2	Most Heads of Service risks now linked to directorate service objectives Further action to be taken: Directors to ensure full compliance by reviewing all Heads of Service risk assessments
8	<u>Quality of risk assessment.</u> A review should be carried to identify areas of poor quality risk assessment with a view to providing training and guidance to ensure risk assessment is in accordance with the risk management policy and its objectives. It is recommended that this training and guidance should be completed by September 2009.	1	No action taken yet due resources Further action to be taken: Internal Audit to identify areas of poor risk assessment and feed though to Corporate Risk Manager for training to programme to be drawn-up to skill individuals lacking in risk assessment.

9	<p><u>Training; comprehensive programme.</u></p> <p>There should be a formal and comprehensive training programme that fulfils the requirements of the Council's risk management policy.</p> <p>It is recommended that this programme should be reviewed and approved annually.</p>	1	<p>No action taken yet due resources and no agreed budget for Corporate Risk Management for 2010/11</p> <p>Further action to be taken:</p> <p>Urgent discussion to be had at JMT to discuss formal risk management training programme and resourcing.</p>
10	<p><u>Risk Management Support: management structure.</u></p> <p>Management of the day-to-day risk management support to business units should be consolidated under one Manager.</p>	1	<p>Currently undertaken by Corporate Risk Management (1/4 of time allocated to risk management)</p> <p>Further action to be taken:</p> <p>Review by Deputy Chief Executive of Corporate Risk Management capacity to adequately support all business units.</p>