



# **Working Group Report**

**Risk Register**



## **1 Executive Summary**

- 1.1 This report by the working group (the 'group') summarises and focuses on those matters identified in the scoping statement for the review.

## **2. Composition of the group**

- 2.1 Members of the group were councillors:  
FM Norman, Vice-Chair of Audit and Governance Committee  
ACR Chappell  
PD Newman
- 2.2 Lead officer, Steve Hodges
- 2.3 Democratic services officer, Clive Lloyd

## **3 Context**

### Why did we set up the group?

- 3.1 Concerns were raised by audit and government committee members on 24 November 2015 regarding the effectiveness of the council's corporate risk management arrangements and in particular the operation and development of the corporate risk register. A resolution was made that improvements be made to the robustness of risk management and to make the corporate risk register a living document.
- 3.2 At the audit and government committee meeting of 26 January 2016 it was agreed that a working group be convened to consider the robustness of the corporate risk management process.

### What were we looking at?

- 3.3 The audit and governance committee considered and adopted a scoping statement for the group. The scoping statement is attached as appendix a.

### Who did we speak to?

- 3.4 The working group received a presentation from Herefordshire Council officers Steve Hodges and Kevin Lloyd. A copy of the presentation is attached as appendix b.

### What did we read?

- 3.5 The group was provided with background information to undertake this review. This included risk management strategies at Shropshire, Gloucestershire and Devon, along with a summarised version of Herefordshire Council's performance, risk and opportunity management (PROM) framework.

#### 4. **Key themes**

4.1 The following key themes were identified:

##### What are the risk management responsibilities of Audit and Governance Committee within Herefordshire Council?

The role of the committee in relation to risk as set out in the council's function scheme within the constitution is to:

- a) consider the effectiveness of the council's risk management arrangements, the control environment and associated counter fraud and corruptions arrangements
- b) seek assurance that action is taken on risk related issues identified by auditors and inspectors
- c) satisfy themselves that the council's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it

These responsibilities are further expanded in the audit and governance code within the constitution as follows:

##### **To consider the effectiveness of the Council's risk management arrangements, the control environment and associated counter fraud and corruption arrangements by:**

- a) reviewing and approving the annual governance statement framework once a year.
- b) approving the Council's counter fraud and corruption policies and reviewing them on a biennial basis.
- c) reviewing and approving the Council's whistle blowing policy on a biennial basis.
- d) being part of the consultation process when the Council's complaints policy is being reviewed.
- e) monitoring the effective operation and development of the systems identified in the annual governance statement framework, calling for special reports where necessary and bringing to notice any inconsistency, short comings, gaps or duplications in these systems.

##### **Seek assurance that action is taken on risk related issues identified by auditors and inspectors by:**

- a) monitoring acceptance by management of audit recommendations and progress in implementing agreed action plans.
- b) reviewing audit recommendations not accepted by management and making an appropriate recommendation to Cabinet if it is considered that the course of action proposed by management presents a risk in terms of the effectiveness of or compliance with the Council's control environment.
- c) monitoring progress upon the further improvements identified in the annual governance statement.
- d) monitoring progress in respect of resolutions and recommendations made by the Committee

**Satisfy themselves that the Council's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it by:**

- a) reviewing and approving the annual governance statement framework annually.
- b) receiving and commenting upon the Head of Internal Audit's annual report on the Council's risk environment.

It remains the responsibility of the executive to approve the risk management policy for the council.

What is the approach taken by Shropshire, Gloucestershire and Devon on their equivalent Audit Committees?

4.2 Their approaches can be summarised as follows:

- Shropshire - Audit Committee – “their responsibility is to ensure that there is a robust and efficient risk management process in operation across the Council's operations.”
- Gloucestershire – Audit and Governance Committee – “Provide independent assurance to the Council of the adequacy and effectiveness of the risk management arrangements and associated control environment and receive an annual report on risk management activity.”
- Devon – “To ensure that the risk management function receives proper scrutiny the County Council's Audit Committee receives quarterly progress reports from the Corporate Risk Management Group to monitor the effective development and operation of risk management within the Council.”

What is the timescale for updating Herefordshire Council's 'Risk Management & Assurance – Policy and Guidance'?

4.3 It is intended that an updated version of Herefordshire Council's performance, risk and opportunity management (PROM) framework is scheduled for cabinet consideration in June. As this process of review has continued, we are aware that officers have themselves recognised the importance of some of the issues which have been identified by the group and are already reviewing operational council systems as a result.

4.4 Prior to going to cabinet, the lead cabinet member will consult with the chair of the audit and governance committee on the draft PROM framework.

**Recommendation 1: That Herefordshire's PROM framework be reviewed, revised and relaunched, taking into account best practice research.**

**Recommendation 2: That the new PROM framework identifies and includes a strong element of oversight by the audit and governance committee, to allow that committee to carry out its responsibilities under the constitution.**

**Recommendation 3: That the framework explains how scrutiny committees, or elected members can query the treatment of risks in the register and propose risks for consideration.**

Appendix A

Audit and Governance working group - risk register – scoping document

Scope	Concerns raised by Audit & Government committee members on the 24 November 2015 regarding the council's corporate risk management and in particular the operation and development of the risk register. A resolution was made at the Audit and Governance meeting of the 24 November 2015 that improvements be made to the corporate risk register. At the Audit and Governance meeting of the 26 January It was agreed that a working group be convened to consider the operation of the corporate risk management process.
Links to the audit & governance code	Extracts from code: 5.10.5.2 To consider the effectiveness of the Council's risk management arrangements, the control environment and associated counter fraud and corruption arrangements by:... e) monitoring the effective operation and development of the systems identified in the annual governance statement framework, calling for special reports where necessary, bringing to notice any inconsistency, short comings, gaps or duplications in these systems and ensuring that a sound system of internal control is in place.
Summary of the review and terms of reference	Summary: To consider the effectiveness operation of the Council's corporate risk management arrangements.
	Terms of Reference: <ul style="list-style-type: none"> <li>• To understand how risks are identified, reported and managed, if appropriate, to the risk register.</li> <li>• To recommend the frequency at which the risk register and progress of identified risks should be reviewed by the Audit and Governance Committee to assist it fulfil its role as set out in the audit and governance code in the Council's constitution as identified in 5.10.5.2 (e)</li> </ul>
What will NOT be included	<ul style="list-style-type: none"> <li>• The identification and proposal of additional risks or gaps to be added to the risk register</li> <li>• A review of existing risks contained on the risk register</li> <li>• Anything outside the Terms of Reference</li> </ul>
Potential outcomes	<ul style="list-style-type: none"> <li>• To report to the committee that an effective operation of the risk register is in place that demonstrates currency and ensures a robust risk management process is in place;</li> <li>• To make recommendations to the committee regarding potential improvements to the risk management policy and procedure.</li> </ul>
Research Required	Best Practice in comparable shire authorities. Consult with officers on best practice.

Outline Timetable :	
Activity	Timescale
Confirm approach, terms of reference, meeting date	29 February 2016
Meeting of the working group	4 March 2016
A report be available to circulate to the audit and governance committee.	20 May 2016
To be placed as an item on the Audit and Governance 4 July agenda Audit.	

Group Members	
	Cllr Norman, Cllr Chappell, Cllr Newman
Lead Officer	Steve Hodges
Support Officers	Claire Ward, Clive Lloyd