

HUNTINGDONSHIRE DISTRICT COUNCIL

Title: Risk Register Update

Meeting/Date: Corporate Governance Panel – 26 September 2013

Executive Portfolio: Resources: Councillor J A Gray

Report by: Internal Audit Manager

Ward(s) affected: All Wards

Executive Summary:

The risk register is regularly reviewed. This report updates the Panel on the changes that have been made to the register in the period, 6 March to 2 September 2013.

Five risks have been added, and three risks removed from the risk register (See Appendix 3). Two of the added risks have retained a 'very high' residual risk priority and will require to be reported to the Cabinet. In addition, two risks that had a residual risk priority of 'high', have been re-assessed as 'very high'. These will also require reporting to the Cabinet.

423 controls are recorded in the register in respect of 154 individual risk entries.

90% of the controls have been assessed by management to be either at the substantial or adequate level.

96% of the controls have been reviewed and updated in the previous six months.

The risk management system is working effectively. Panel need to take this into account when considering the annual governance statement.

Financial implications

There are no financial implications.

Recommendation:

It is recommended that the Panel note the report.

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1. BACKGROUND TO THE REPORT

- 1.1 The Panel receive regular reports on the changes that have been made to the risk register. In preparing the annual governance statement, Panel are able to take assurance from the reports that the risk management process is working effectively and contributing to the effective management and delivery of services.
- 1.2 Panel last received a report on this matter at its March 2013 meeting. Since then, the risk register has been reviewed and updated by both Chief Officer's and Heads of Service. The full risk register is available on the risk management intranet site.
- 1.3 All significant changes to the register (additions/deletions/risk scores) are reviewed by the Audit & Risk Manager. This allows general over-sight and challenge of the risk entries and the consistency of the inherent and residual scoring.

2. CURRENT REGISTER

- 2.1 There are 7 appendices to the report that show the current status of risks. The reduction in risk achieved due to the controls that managers have in place for both corporate and operational risks are shown in appendix 1 and 2. Risks with a 'very high' residual risk are listed separately.
- 2.2 There are currently ten 'very high' residual risks in the register.
- 2.3 The risk management strategy requires the Cabinet to consider each of the very high residual risks to identify whether they should be further mitigated by cost-effective and affordable actions. Risk option forms have already been considered by Cabinet in respect of six of the risks. Cabinet accepted the residual risk levels. Risk option forms will be submitted to Cabinet in November in respect of the remaining four risks.
- 2.4 As the risk register has become more robust, the Internal Audit Service have been able to place greater reliance on its content. This in turn has led to them reviewing and challenging both the controls listed and the controls assurance ratings. If the work carried out by internal audit suggests that either the controls listed in the register or the assurance opinions are not appropriate then Heads of Service are requested to re-evaluate the risk register entries. This process helps to maintain a register that is both relevant and reliable and gives the Panel assurance that information presented to it is a fair reflection of the current management of risk.

3. CONTROLS ASSURANCE

- 3.1 423 controls are recorded in the register as at 2 September in respect of 154 individual risk entries.

The levels of assurance are as follows:

No of Controls	Assurance Level			
	Substantial	Adequate	Limited	None
423	245	137	37	4
	58%	32%	9%	1%

- 3.2 96% of the assurances have been updated in the past six months (46% at March 2013). 1% of assurances are more than twelve months old (7% at March 2013).

4. LIST OF APPENDICES INCLUDED

Appendix

- 1 Risk matrix – inherent to residual scoring: Corporate risks
- 2 : Operational risks
- 3 Risk register amendments
- 4 Assurance on controls for very high inherent risks
- 5 Risks with no controls
- 6 Risks with controls that are not working effectively
- 7 Risk assessment model from risk management strategy

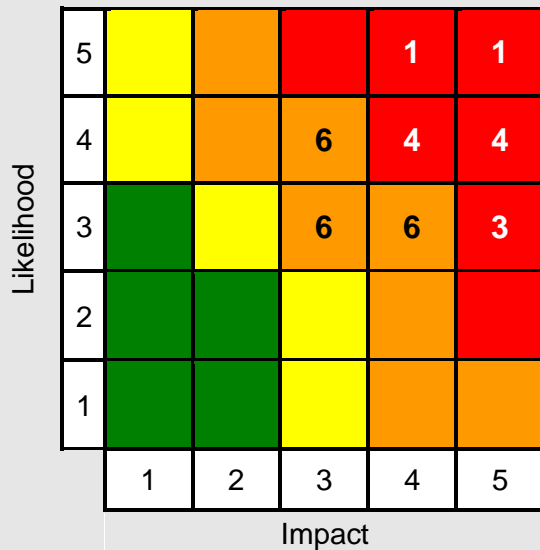
BACKGROUND PAPERS

Risk register

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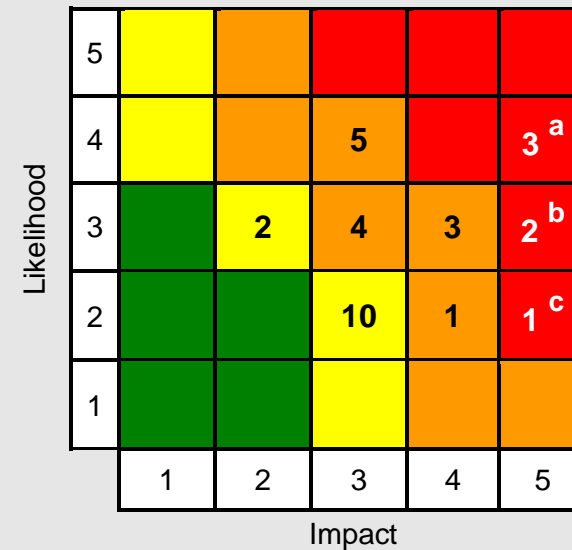
**Inherent Risks
before controls
September 2013**



Residual risk scores rely on the identified controls working effectively.

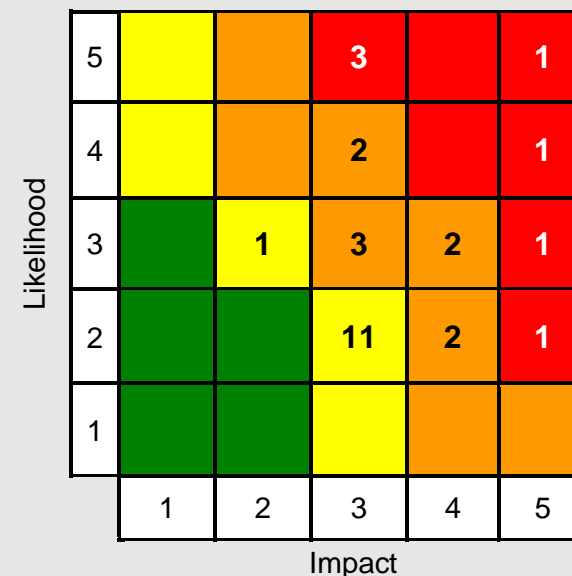
CGP and COMT rely on internal audit and managers' 'assurance' statements to judge whether this is the case.

**Residual Risks
after controls
September 2013**



total
31

March 2013



total
28

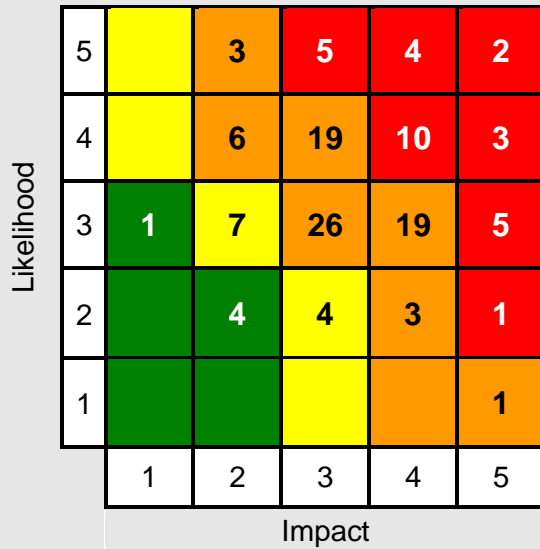
+3

	'Very High' Residual Risks	March 2012	Sept 2013	Accepted by Cabinet
		Likelihood X Impact		
130 a	Reducing Govt. financial support	3 / 5	4 / 5	July 2012
47 c	Investment decisions not appropriate	2 / 5	2 / 5	July 2012
237 a	Affordable new homes	4 / 5	4 / 5	Dec 2012
248 a	Failure to achieve financial savings	----	4 / 5	----
239 b	Town Centre redevelopment	2 / 4	3 / 5	----
246 b	Not realising land values	----	3 / 5	----

Operational Risks

Appendix 2

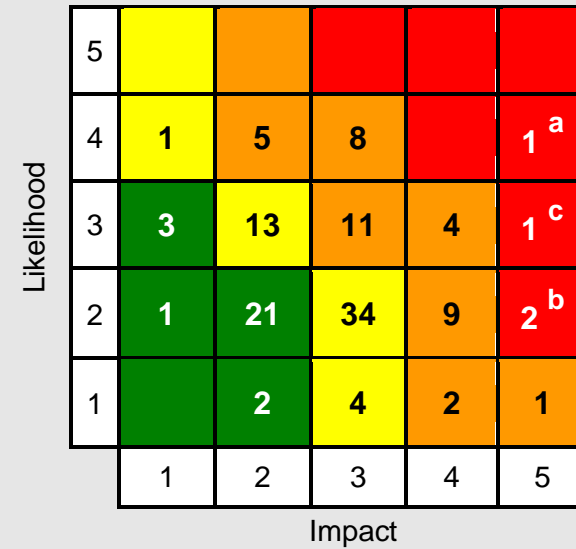
**Inherent Risks
before controls
September 2013**



Residual risk scores rely on the identified controls working effectively.

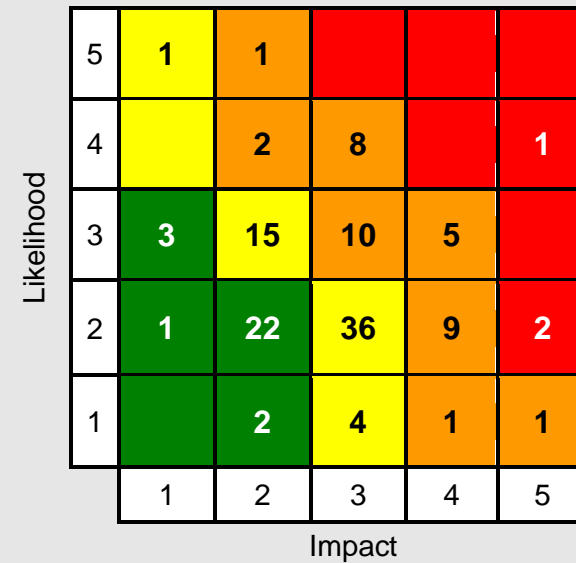
CGP and COMT rely on internal audit and managers' 'assurance' statements to judge whether this is the case.

**Residual Risks
after controls
September 2013**



total
123

March 2013



Total
124

-1

		March 2013	Sept 2013	Accepted by Cabinet
	'Very High' Residual Risks			
		Likelihood X Impact		
223	a MMI run-off	4 / 5	4 / 5	July 2012
15	b ICT security is breached	2 / 5	2 / 5	July 2012
58	b Information or data is lost	2 / 5	2 / 5	July 2012
241	c Reduced retained business rates	3 / 4	3 / 5	----

Operational

**Summary of Risk Register Amendments
6 March 2013 – 2 September 2013**

Appendix 3

	Additions	Deletions	Category Change	Net result
Corporate	+ 4	- 2	+ 1	+ 3
Operational	+ 1	- 1	- 1	- 1

Corporate

Risk	Risk Title	Addition	Deleted	Inherent Risk Priority	Residual Risk Priority
52	Changes in the house price market	05/06/07	31/07/13	High	Medium
238	Reduction in numbers of new affordable homes being built leading to less people being housed; longer stays in temporary accommodation and increased use of B&B.	17/09/12	25/06/13	Very High	Very High
246	Failure to obtain income from land sale at California Road.	22/07/13	----	Very High	Very High
247	Failure to deliver revenue generation opportunities and energy savings through MLEI (Mobilising Local energy Investment).	23/07/13	----	High	High
248	COMT: Non achievement of savings leading to other savings needing to be found at short notice.	30/07/13	----	Very High	Very High
250	Desktop replacement (virtualisation) not delivered by April 2014 resulting in some software not being supported by Microsoft and users using ageing, inefficient systems.	20/08/13	----	Very High	High

Operational

Risk	Risk Title	Addition	Deleted	Inherent Risk Priority	Residual Risk Priority
159	Economic downturn and potential fall in participation levels leads to a reduction in income at all Leisure Centres.	23/07/09	05/08/13	High	Medium
249	S106 funding for grounds maintenance reduces, resulting in increased cost to maintain service levels.	30/07/13	---	High	High

Change of Risk Category

Risk 2	The Council does not invest in or develop its staff leading to motivational problems and service developments not being delivered on time or within budget	Changed to a Corporate risk on 27/08/13.
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Assurance Details

Appendix 4

Corporate Objective	Risk No	Inherent Risk	No of Controls	Residual Risk	Assurance Level				Area of Panel Assurance ¹	Assurance shortfall	Risk Type	
					Substantial	Adequate	Limited	None			Corporate	Operational
Enable sustainable growth												
Failure to deliver environmental policy/strategy	30		6				5		a		✓	
Partnerships are not effective	74		2				1		j	X	✓	
Increasing insurance premiums	126		3		1	1	1		f			✓
Climate change strategy	146		2					2	a	X	✓	
Loss of vehicle fleet operating licence	192		3		2	1			a			✓
Reducing number of affordable homes built	237		3		3				a		✓	
Not realising land values	246		1			1			a			
Improve the quality of life in Huntingdonshire												
Increased homelessness	148		2		1	1			a		✓	
Reduced CCTV service	230		1		1				a			✓
Delays to Huntingdon town centre development	239		1			1			a		✓	
Improve communications (internal)												
Service recovery/business continuity ineffective	6		5		4	1			g			✓
Unencrypted data is sent externally	122		4		3	1			g			✓
Assets not properly maintained	186		3			1	2		g			✓
The Council (internal)												
ICT security breached	15		8		8				g			✓
Reliance on key IT staff	25		5			4	1		g			✓
Ineffective site security	32		3		3				g			✓
Staffing capacity: deadlines not met	49		4		4				a			✓
Information or data is lost	58		4			4			g			✓
Fraud occurs	75		6			6			g			✓
Theft	140		4		4				g			✓
Increasing Housing Benefit claims	143		1		1				g			✓

¹ The areas that Panel require specific assurance upon are listed at the end of this section.

Assurance Details

Appendix 4

Corporate Objective	Risk No	Inherent Risk	No of Controls	Residual Risk	Assurance Level				Area of Panel Assurance ¹	Assurance shortfall	Risk Type	
					Substantial	Adequate	Limited	None			Corporate	Operational
Loss of access/structure: Pathfinder House	145		3		2	1			g		✓	
Power loss to main IT servers	177		6			5	1		f		✓	
Sensitive HB info e-sent via insecurely means	191		1		1				g		✓	
Breach of Data Protection Act	217		5		5				c		✓	
Loss of use of admin buildings	229		3		3				g		✓	
IT staff capacity issues	244		2			1			g		✓	
Desktop PC's are not supported	250		1			1			g	✓		
To learn and develop (internal)												
Council does not invest in or develop staff	2		4		2	1	1		a	✓		
Increasing staff accidents	14		6			4	2		g		✓	
Serious injury or death of customers or staff	16		5			3	2		g		✓	
Bailiff contract (Health & Safety)	31		3		1	2			f		✓	
To maintain sound finances (internal)												
Budget estimates are inaccurate	24		5			3	2		d		✓	
Investment decisions not appropriate	47		4		2	2			d	✓		
Project management ineffective	48		3		2	1			e		✓	
Failure to achieve financial savings	130		2			1	1		d	✓		
Reduced land charges income	153		1						d		✓	
S106 Agreements are not monitored	208		3			2	1		e		✓	
Finance reforms in 2013	233		1			1			a	✓		
CIL liabilities not collected	236		1			1			g		✓	
Reduced retained business rates	241		1					1	d		✓	
Failure to deliver Making Assets Count	243		1				1		j	X	✓	
Failure to achieve financial savings	248		1				1		d	✓		

a. Delivery of the Council's corporate objectives

b. The effectiveness of the Constitution

c. Meeting statutory obligations

d. Effectiveness of financial management arrangements

e. Robustness of performance management system

f. The effectiveness of the risk management strategy

g. Internal control & the effectiveness of key controls

h. Adequacy of the internal audit service

j. Partnerships working effectively

Risk Register entries : No Controls

Appendix 5

Risk Ref	Risk Title	Inherent Risk Priority	Residual Risk Priority	Actions being considered	Date to be introduced
Head of Environmental Management					
214	Warmer, wetter winters and hotter summers with reduced rainfall resulting in an increased likelihood of subsidence and ground heave.			Develop a tree policy to consider the trees we currently own and how they will be managed in future.	June 2011
		Low	Low	Is there a programme in place to identify buildings susceptible to subsidence risk? Is there a schedule of regular maintenance checks to identify any damage? Is preventative work carried out where required?	May 2011
				All trees selected for any planting site, be it a paved street, grass verge, park, or open space is carefully chosen with regard given to its suitability to the area, based on growth habits, nutritional requirements, resistance to disease, the local landscape, future management requirements, potential for damage to adjacent properties and ultimate tree height and spread.	June 2011
215	Warmer summer weather and outdoor lifestyle increases the scope for outdoor activity leading to an increase in tourism and increased opportunity for leisure	Low	Low	None	
Head of Planning Services					
152	Economic downturn and the related potential shortfall in anticipated developer activity due to reduced market liquidity and availability of credit undermines the delivery of new homes, new employment opportunities and community facilities.	High	High	None	

Risk Register entries : No Controls

Appendix 5

Risk Ref	Risk Title	Inherent Risk Priority	Residual Risk Priority	Actions being considered	Date to be introduced
Head of Financial Services					
223	MMI Ltd are unable to 'run-off' outstanding liabilities from reserves leading to call on Council to meet funding shortfall.	Very High	Very High	The Scheme of Arrangement was triggered in November 2012. An initial 15% levy is being proposed by the scheme's administrators. A provision of £90,000 has been included in the 2012/13 financial accounts. This will be kept under review.	March 2014


Risk Assurance Shortfall

Appendix 6

Risk Ref	Risk Title	Inherent Risk Priority	Residual Risk Priority	Control Assurance level	Controls not considered effective
Head of Environmental Management					
74	Robust Partnerships agreement are not effectively secured with relevant organisation and as a consequence the delivery of key objectives is not achieved.	Very High	Medium	Limited	Partnership Manager role to ensure effective performance management and accountability of partnerships. This is primarily for the HSP
146	Failure to prepare for and adapt to climate change already occurring, resulting in wasted investment , costs of emergency action and retrofitting buildings with adaptation measures.	Very High	High	None	Local Climate Impact Programme on services and wider District being developed. Adaptation to climate change.
243	Failure to deliver potential savings and partnership opportunities through the Making Assets Count programme	Very High	High	Limited	County and District level boards exist.

Risk Assessment Model

Likelihood / Frequency

Likelihood / Frequency		Alternatively this could be expressed as likely to happen within the next:	
5 = Almost Certain	Will definitely occur, possibly frequently.	Month	
4 = Likely	Is likely to occur, but not persistently.	Year	
3 = Occasional	May occur only occasionally.	3 years	
2 = Unlikely	Do not expect it to happen but it is possible.	10 years	
1 = Improbable	Can't believe that this will ever happen, but it may occur in exceptional circumstances.	20 years	

When considering Health & Safety related risks, the likelihood should be expressed as being likely to happen within the next:

4 = Likely	Monthly	Further advice on assessing Health & Safety risks* can be obtained from the Health & Safety Advisor.
3 = Occasional	Year	
2 = Unlikely	5 years	

Impact

Risks will be evaluated against the following scale. If a risk meets conditions for more than one category, a judgement will need to be made as to which level is the most appropriate. For example, if a particular health and safety risk was significant, could result in minor short-term adverse publicity in the local media but had only a trivial financial impact, it might still be categorised as significant.

1 = trivial event or loss, which is likely to:

- cause minor disruption to service delivery on one or two consecutive days, not noticeable to customers
- increase the Council's net cost over the 5 year MTP period by £50,000 or less.
- be managed with no reporting in the local media
- cause localised (one or two streets) environmental or social impact

2 = minor event or loss, which is likely to:

- cause minor, noticeable disruption to service delivery on one or two consecutive days
- increase the Council's net cost over the 5 year MTP period by more than £50,000 but less than £100,000.
- result in minor short-term (up to a fortnight) adverse publicity in the local media
- * be a Health and Safety concern that results in an injury but little lost time (e.g. less than 3 days off work)
- have a short term effect on the environment i.e. noise, fumes, odour, dust emissions etc., but with no lasting detrimental impact

Risk Assessment Model

3 = significant event or loss, which is likely to:

- cause disruption for between one and four weeks to the delivery of a specific service which can be managed under normal circumstances
- affect service delivery in the longer term
- increase the Council's net cost over the 5 year MTP period by more than £100,000 but less than £250,000.
- result in significant adverse publicity in the national or local media
- * be a Health and Safety concern that results in more than 3 days off work or is a major injury, dangerous occurrence or disease that is required to be reported to the H&S Executive in accordance with RIDDOR.
- has a short term local effect on the environment, or a social impact, that requires remedial action.

4 = major event or loss, which is likely to:

- have an immediate impact on the majority of services provided or a specific service within one area, so that it requires Managing Director involvement.
- increase the Council's net cost over the 5 year MTP period by more than £250,000 but less than £500,000.
- raise concerns about the corporate governance of the authority and / or the achievement of the Corporate Plan
- cause sustained adverse publicity in the national media
- significantly affect the local reputation of the Council both in the long and short term
- * results in the fatality of an employee or any other person
- have a long term detrimental environmental or social impact e.g. chronic and / or significant discharge of pollutant

5 = critical event or loss, which is likely to:

- have an immediate impact on the Council's established routines and its ability to provide any services, and cause a total shutdown of operations.
- increase the Council's net cost over the 5 year MTP period by more than £500,000.
- have an adverse impact on the national reputation of the Council both in the long and short term
- have a detrimental impact on the environment and the community in the long term e.g. catastrophic and / or extensive discharge of persistent hazardous pollutant