

HUNTINGDONSHIRE DISTRICT COUNCIL

Title: Risk Register Update

Meeting/Date: Corporate Governance Panel – 26 March 2014

Executive Portfolio: Resources: Councillor J A Gray

Report by: Internal Audit & Risk 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, 3 September 2013 to 11 March 2014.

Six risks have been added, and five risks removed from the risk register (See Appendix 3).

415 controls are recorded in the register in respect of 155 individual risk entries.

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

33% 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 September 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 seven 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 nine '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 five of the risks. Cabinet accepted the residual risk levels. Risk option forms are not yet ready to be presented to the April Cabinet meeting. Due to the District Council elections, Cabinet will not be meeting in May. It is anticipated that the risk option forms in respect of all nine 'very high' risks will be presented to Cabinet in June together with an updated risk management strategy.
- 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

- 3.1 415 controls were recorded in the register as at 11 March 2014 in respect of 155 individual risk entries.

The levels of assurance are as follows:

| No of Controls | Assurance Level | | | |
|---------------------------|------------------------|-----------------|----------------|-------------|
| | Substantial | Adequate | Limited | None |
| 415 | 245 | 127 | 39 | 4 |
| | 58% | 32% | 9% | 1% |

- 3.2 33% of the assurances have been updated in the past six months (96% at September 2013). 1% of assurances are more than twelve months old (1% at September 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

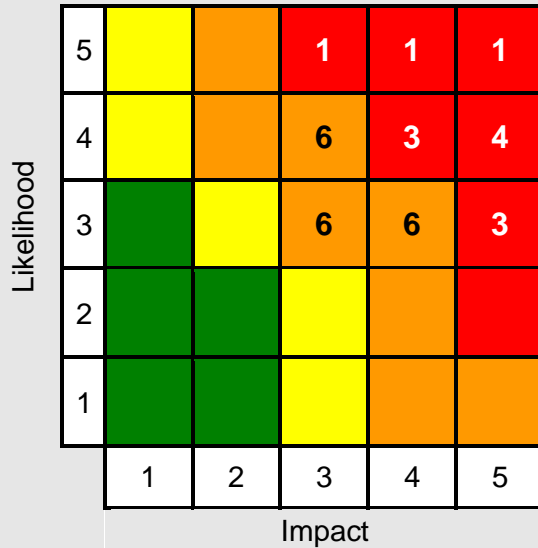
CONTACT OFFICER

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Corporate Risks

Appendix 1

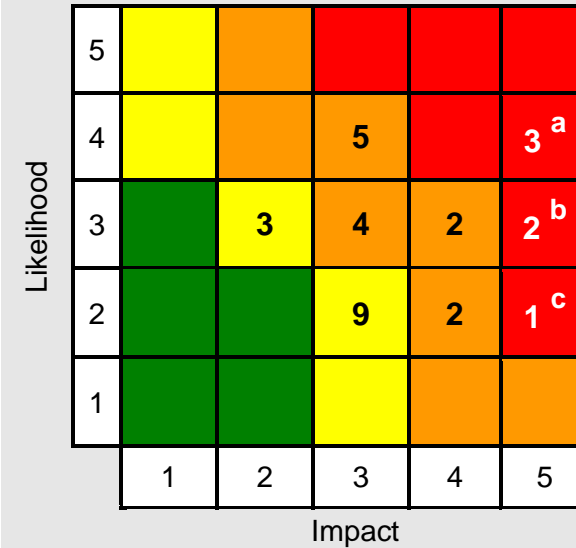
**Inherent Risks
before controls
March 2014**



Residual risk scores rely on the identified controls working effectively.

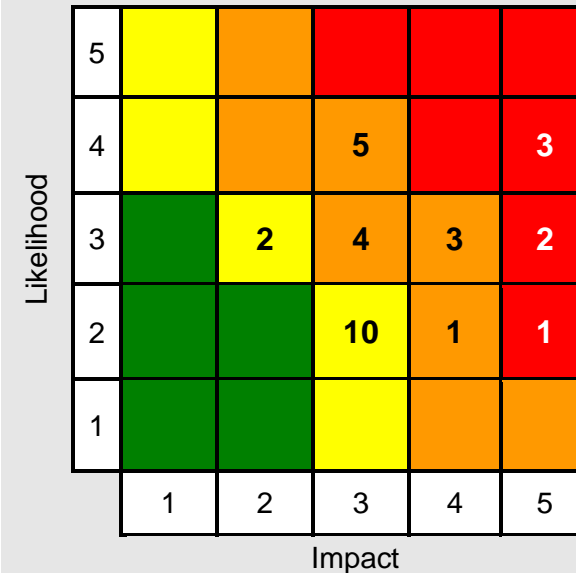
CGP and COMT rely on internal audit and managers' 'assurance' statements to judge whether this is the case.

**Residual Risks
after controls
March 2014**



total
31

September 2013



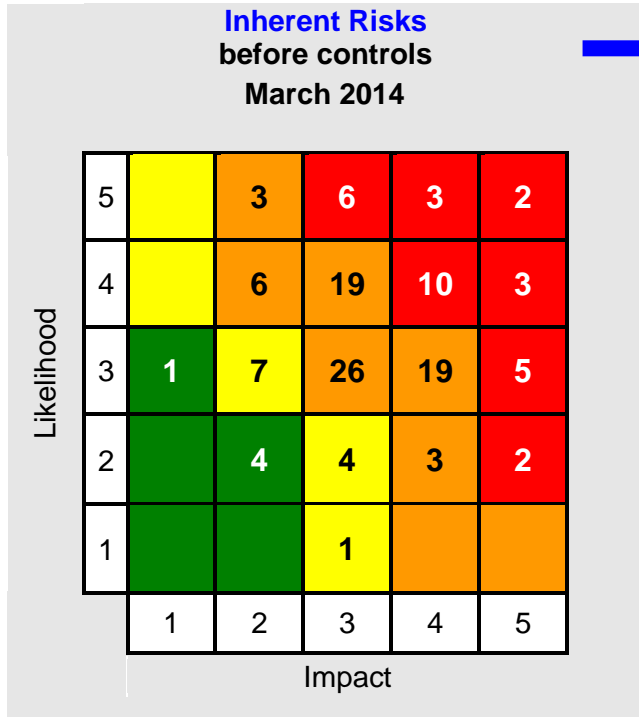
total
31

+0

| | 'Very High' Residual Risks | Sept 2013 | Mar 2014 | Accepted by Cabinet |
|-------|--------------------------------------|-----------|----------|---------------------|
| | Likelihood X Impact | | | |
| 130 a | Reducing Govt. financial support | 4 / 5 | 4 / 5 | July 2012 |
| 237 a | Affordable new homes | 4 / 5 | 4 / 5 | Dec 2012 |
| 248 a | Failure to achieve financial savings | 4 / 5 | 4 / 5 | ---- |
| 239 b | Town Centre redevelopment | 3 / 5 | 3 / 5 | ---- |
| 246 b | Not realising land values | 3 / 5 | 3 / 5 | ---- |
| 47 c | Investment decisions not appropriate | 2 / 5 | 2 / 5 | July 2012 |

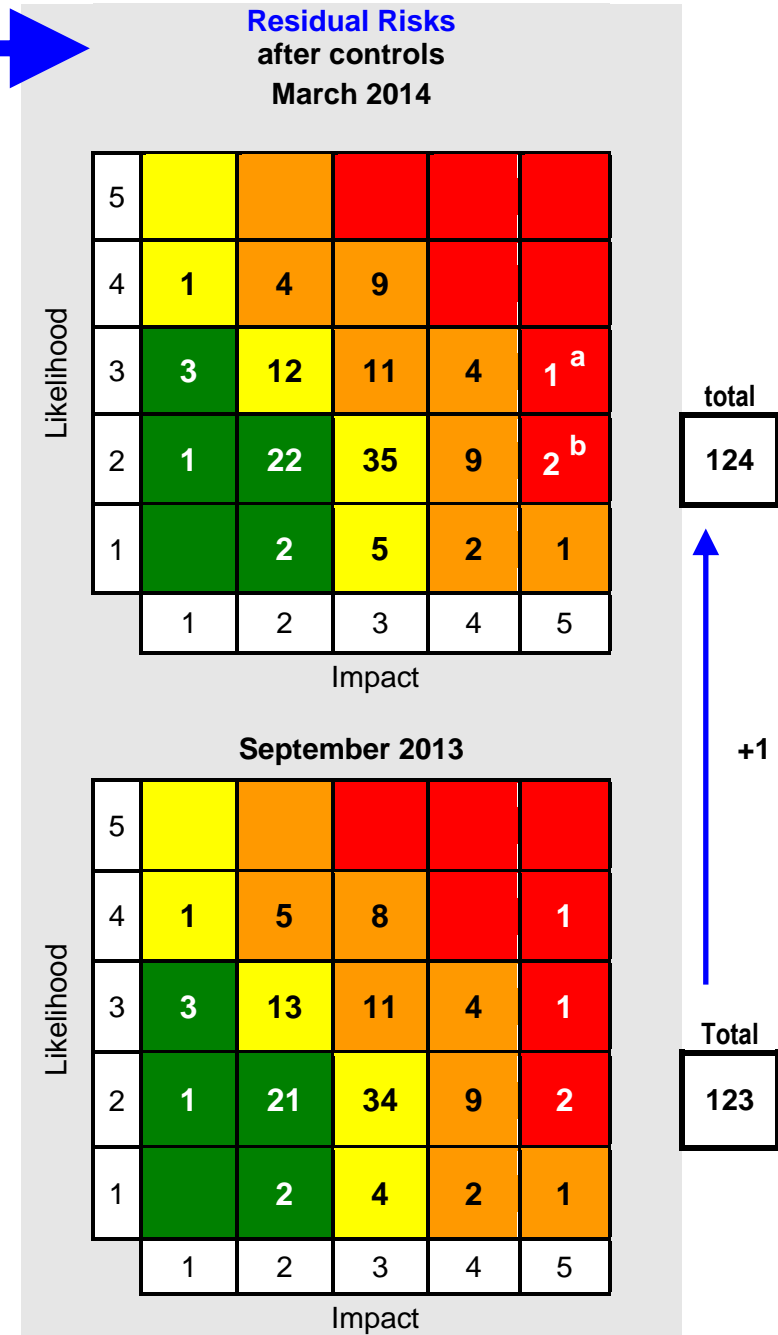
Operational Risks

Appendix 2



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.



| | | Sept 2013 | Mar 2014 | Accepted by Cabinet |
|-----|-----------------------------------|---------------------|----------|---------------------|
| | 'Very High' Residual Risks | | | |
| | | Likelihood X Impact | | |
| 241 | a Reduced retained business rates | 3 / 5 | 3 / 5 | ---- |
| 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 |

Operational

**Summary of Risk Register Amendments
3 September 2013 – 11 March 2014**

Appendix 3

| | | | | |
|------------------|------------------|------------------|------------------------|-------------------|
| | Additions | Deletions | Category Change | Net result |
| Corporate | + 3 | - 3 | 0 | + 0 |

Corporate

| Risk | Risk Title | Addition | Deleted | Inherent Risk Priority | Residual Risk Priority | Reason for deletion |
|-------------|---|-----------------|----------------|-------------------------------|-------------------------------|---|
| 251 | Social media activity operates inconsistently leading to inappropriate and unauthorised use of social media by services. | 17/09/13 | ---- | Very High | High | |
| 253 | Income from sale of recyclate is not realised. | 28/10/13 | ---- | High | Medium | |
| 256 | Failure relating to the implementation of Individual Electoral Registration. | 26/02/14 | ---- | Very High | High | |
| 142 | Economic downturn and welfare reform leads to increases in arrears leading to the reduction in income and cash flow problems | 16/03/09 | 21/01/14 | High | Medium | Recession continues but has not had a significant impact on collection rates. |
| 148 | Increased homelessness and applicants on the housing register due to change to the local housing allowances (housing benefits) | 27/03/09 | 21/01/14 | Very High | High | Welfare reform implemented now operating as business as usual. |
| 233 | April 2013 changes arising from central government reforms that require additional resource and could lead to poorer performance or financial shortfalls. | 28/02/12 | 21/01/14 | Very High | High | April 2013 changes have been implemented successfully. |

**Summary of Risk Register Amendments
3 September 2013 – 11 March 2014**

Appendix 3

| | | | | |
|--------------------|------------------|------------------|------------------------|-------------------|
| | Additions | Deletions | Category Change | Net result |
| Operational | + 3 | - 2 | 0 | + 1 |

Operational

| Risk | Risk Title | Addition | Deleted | Inherent Risk Priority | Residual Risk Priority | Reason for deletion |
|-------------|---|-----------------|----------------|-------------------------------|-------------------------------|---|
| 163 | Government Connect Code of Connection rules restrict flexibility of ICT provision. (Risk re-opened). | 10/09/13 | ---- | Very High | High | |
| 252 | Failure to implement the Pay Review project in April 2014. | 08/10/13 | ---- | High | Medium | |
| 254 | Changes to the way Government contribution to DFG is allocated to HDC, potentially puts allocation at risk. | 22/01/14 | ---- | Very High | High | |
| 143 | Economic downturn and welfare reform leads to increases in arrears leading to the reduction in income and cash flow problems. | 28/02/12 | 21/01/14 | Very High | High | DWP funding no longer applies, but efficiencies have led to greater ability to manage increased workload. |
| 153 | Competition and economic downturn affecting volume of land charge searches, leading to reduction in Council income. | 10/06/09 | 26/02/14 | High | High | Volumes up and stable. |

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 | | 5 | | | | 5 | | a | | ✓ | |
| Partnerships are not effective | 74 | | 1 | | | | 1 | | j | X | ✓ | |
| Increasing insurance premiums | 126 | | 3 | | 1 | 1 | 1 | | f | | | ✓ |
| Climate change strategy | 146 | | 2 | | | | | 2 | a | X | ✓ | |
| 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 | | | | | | | | | | | | |
| Reduced CCTV service | 230 | | 1 | | 1 | | | | a | | | ✓ |
| Delays to Huntingdon town centre development | 239 | | 1 | | | 1 | | | a | | ✓ | |
| Reduction in Govt DFG funding | 254 | | 1 | | 1 | | | | a | | | ✓ |
| Improve communications (internal) | | | | | | | | | | | | |
| Service recovery/business continuity ineffective | 6 | | 5 | | 4 | 1 | | | g | | | ✓ |
| Unencrypted data is sent externally | 122 | | 4 | | 2 | 2 | | | 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 | | 1 | 3 | 1 | | g | | | ✓ |
| Ineffective site security | 32 | | 3 | | 1 | 1 | 1 | | g | | | ✓ |
| Staffing capacity: deadlines not met | 49 | | 4 | | 4 | | | | a | | | ✓ |
| Information or data is lost | 58 | | 4 | | | 4 | | | g | | | ✓ |
| Fraud occurs | 75 | | 6 | | 1 | 4 | 1 | | g | | | ✓ |
| Theft | 140 | | 4 | | 4 | | | | g | | | ✓ |
| Loss of access/structure: Pathfinder House | 145 | | 3 | | 2 | 1 | | | g | | | ✓ |
| Government Connect secure network | 163 | | 1 | | | 1 | | | c | | | ✓ |

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 | Assurance shortfall | Risk Type | |
|---|---------|---------------|----------------|---------------|-----------------|----------|---------|------|-------------------------|---------------------|-----------|-------------|
| | | | | | Substantial | Adequate | Limited | None | | | Corporate | Operational |
| Power loss to main IT servers | 177 | | 6 | | 4 | 1 | 1 | | f | | ✓ | |
| Sensitive HB info e-sent via insecurely means | 191 | | 1 | | 1 | | | | g | | ✓ | |
| Loss of vehicle fleet operating licence | 192 | | 3 | | 2 | 1 | | | a | | ✓ | |
| 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 | | | 2 | | | g | | ✓ | |
| Desktop PC's are not supported | 250 | | 1 | | | 1 | | | g | ✓ | | |
| Inappropriate social media activity | 251 | | 2 | | 2 | | | | g | ✓ | | |
| Individual electoral registration | 256 | | 1 | | | 1 | | | c | ✓ | | |
| To learn and develop (internal) | | | | | | | | | | | | |
| Council does not invest in or develop staff | 2 | | 4 | | 2 | 1 | 1 | | a | | ✓ | |
| Staff absence through injury | 14 | | 6 | | | 4 | 2 | | g | | ✓ | |
| Serious injury or death of customers or staff | 16 | | 5 | | | 3 | 2 | | g | | ✓ | |
| Bailiff contract (Health & Safety) | 31 | | 3 | | 3 | | | | 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 | ✓ | | |
| S106 Agreements are not monitored | 208 | | 3 | | | 2 | 1 | | e | | ✓ | |
| MMI liabilities | 223 | | 1 | | | 1 | | | d | | ✓ | |
| 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 | X | ✓ | |

| | | |
|---|---|-------------------------------------|
| a. Delivery of the Council's corporate objectives | e. Robustness of performance management system | j. Partnerships working effectively |
| b. The effectiveness of the Constitution | f. The effectiveness of the risk management strategy | |
| c. Meeting statutory obligations | g. Internal control & the effectiveness of key controls | |
| d. Effectiveness of financial management arrangements | h. Adequacy of the internal audit service | |

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 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. |
| Chief Officers' Management Team | | | | | |
| 248 | Non achievement of savings leading to other savings needing to be found at short notice | Very High | Very High | Limited | The savings plan (which is required to be a realistic expectation of savings to be achieved or exceeded) has not yet been agreed. |

Risk Assessment Model

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