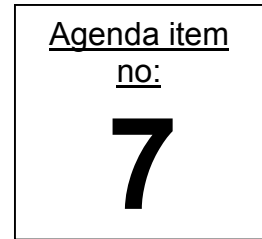


**HERTFORDSHIRE COUNTY COUNCIL**  
**AUDIT COMMITTEE**  
**FRIDAY, 23 SEPTEMBER 2016 AT 10.30AM**  
**RISK MANAGEMENT UPDATE REPORT**



Report of the Head of Assurance

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**Purpose of Report**

- 1.1. This report is a regular item on Risk Management activity over the last quarter. The Audit Committee's Terms of Reference state it is to "advise the Executive on relevant audit matters, including:- (a) the risk management system and risk related issues".

**Summary**

- 1.2. The following items are included in this report:
- A summary of Corporate risk movements
  - A summary of De-escalated/Withdrawn risks
  - A heat map of the 34 Corporate Risks. This also displays amendments since the June Audit Committee meeting (1 withdrawn and 1 de-escalated risk.)
  - A linked icon to the full Corporate Risk Register.
- 1.3. Corporate risk appendices accompany this report:
- A risk movement report at Appendix A details those risks with changed assessments in the last quarter.
  - A risk status report at Appendix B summarises the latest risk scores and risk scores at each of the last 3 Audit Committee meetings.

**Recommendations**

- That the Risk Management Update report be noted.
- That the Committee identifies a risk (or risks) to be reviewed at its next meeting in November 2016.

**Corporate Risk Register**

- 1.4. The latest review of the corporate risk register took place during July / August 2016. See section 6 for a linked icon to the full Corporate Risk Register.

The table below shows the risk movements broken down by risk classification. The movements detailed are a continuation from the previous report dated June 2016.

	Change in assessment from previous quarter
<b>Red</b>	13 (+2)
<b>Amber</b>	21 (-4)
<b>Yellow</b>	0
<b>Green</b>	
<b>Total</b>	<b>34</b>
<b>Difference +/-</b>	<b>-2</b>

- 4.2 At the last meeting of the Committee, it was suggested that pooled funding arrangements for pensions should be highlighted as a separate risk. This has been discussed and the view is that there is no need for separate risk. The risk on the Corporate Register relates to the County Council risk rather than in relation to our role as Administering authority. The risk for the County Council would be in relation to an impact on contribution rate and the purpose of the pool is to reduce costs.

#### Key movements since June 2016 Audit Committee

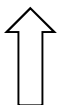
- 1.5. There are now 13 red (severe) risks. This is an increase of two from the last quarter. These two risks are summarised in 5.2 and 5.3. One additional risk had an increased likelihood (see 5.4)

- 1.6. HCSOPD0006 (Appendix A, Page 1) – “In the event of commercial or contractual failure of private or independent care providers, this may lead to disruption to care provision and impact on service users and carers.”



There is concern that recruiting into the care provision sector may be affected by the EU Referendum result and the uncertainty over the long term security of those employees who have come from outside the UK. As a result, the impact of the risk score has been increased from ‘high’ (8) to ‘very high’ (16), increasing the overall risk score to red 48 (severe).

- 1.7. ENV0104 (Appendix A, Page 2) – “In the event of the Residual Waste Treatment Programme being impacted by one or more of the following scenarios:


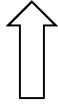



- Revised Project Plan does not proceed or is delayed  
 - Unable to secure suitable alternatives for waste disposal should the contract with VES be terminated. It may result in - Increased costs to the HCC.”

Following the acceptance of the Revised Project Plan (RPP) Veolia are working on a planning application for the Energy Recovery facility at the Hoddesdon site. A comprehensive review of the risks has been carried out and the risk score has been raised to reflect the complexity of delivering a large project of this nature. The likelihood has been changed from ‘possible’ to ‘likely’ and the impact score remains “high” due to the project’s high profile

nature and value. The overall score has therefore been raised from amber 24 (significant) to red 32 (severe).

- 1.8. AUDIT0001 (Appendix A, Page 4) – “There is a risk that the Council experiences significant fraud.”

  
  
 Recent reports suggest that the risk of fraud in local government is higher than previously thought. Mitigations include: using a combined SIAS/SAFS risk based programme to determine the focus on those areas most susceptible to fraud; managing the content from the online fraud reporting facility; and showing visibility and focus of this risk at Audit Committee. As a result the likelihood has been increased from ‘possible’ to ‘likely’ and the overall score raised from amber 12 to amber 16 (significant).

### **De-escalated and withdrawn risks**

- 1.9. De-escalated risk, CSCE0002 - “As a result of a legal challenge to County Council policies or decisions (e.g.: procurement/equalities), there is a risk of legal proceedings against the Council which would lead to: - diversion of resources to respond to the allegation; - damages and/or fines awarded against the Council; - loss of reputation”.

The risk has reached its target assessment of amber 16 and significant work has been undertaken and is ongoing to improve equalities and procurement awareness and knowledge throughout the Council. Following discussion at Resources Board, of 20 July 2016, this risk has been de-escalated to a Service level.

- 1.10. Withdrawn risk, PROP0016 - “With Contractors and Consultants providing works and services (statutory and non-statutory) directly, there is a risk that schools (academy & community) may use a supplier without the relevant background checks (insurance, financial, H&S etc.)”.

The risk has been further reviewed by the risk owner and following discussion at Resources Board, of 20 July 2016, the risk has been withdrawn. This risk has reached its target risk assessment of amber 12 (significant) and been maintained at that level since September 2014. The risk has been mitigated as far as possible by the Property Team through attending the Schools Forum twice a year to highlight projects that will be up and coming in the schools and being available for advice. In addition, information is available on the schools website (the Grid) and schools are able to use the property frameworks set up by the Hertfordshire County Council .

### **Risk Heat map**

- 6.1 The following heat map illustrates the assessment of the Councils’ Corporate risks in relation to each other. A linked icon to the full Corporate risk register is attached here.



**Heat Map (Matrix) of Corporate Risks (34 risks) at 03 August 2016  
(Also showing the 1 withdrawn and 1 de-escalated risk)**

<b>Probability</b>	<b>Almost Certain</b>				<b>E01</b>		
	<b>Likely</b>			<b>R08</b> ↑	<b>HC01 R01 HC02 R02 HC04 E02</b> ↑ <b>HC05</b>		
	<b>Possible</b>			<b>R07 R13</b>	<b>R14 (withd rawn)</b>	<b>CS02 R04 CP02 R05 CP03 R06 HC06 R15</b>	<b>CP01 HC07</b> ↑
	<b>Unlikely</b>				<b>CP05 R11 E03 R12 E04 RS01*</b> <b>R09 R10</b>	<b>CS01 HC03 R03</b>	
	<b>Rare</b>					<b>CP04 CP05 PH01</b>	
	<b>Negligible</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>	<b>Very High</b>		
	<b>Impact</b>						

\*RS01 – De-escalated to Resources Service level.

Each corporate risk has been allocated a simple risk number prefixed by appropriate letters to denote the Department owning the risk.

- R = Resources
- CP = Community Protection
- CS = Children’s Services
- PH = Public Health
- HC = Health and Community Services
- E = Environment

The following are brief descriptions for the risks in the matrix together with dates when risk focus reports were considered:

No. and Score	Brief Risk Description	Risk Owner (Job Title)	Risk Ref	Date of Risk Focus Report
HC07 48 ↑	Failure of care providers	Assistant Director Health and Community Commissioning	HCSOPD0006	29/09/2011 28/03/2013
CP01 48	Unplanned incidents	Assistant Chief Fire Officer - Response and Resilience	HFRS0007	22/11/2012 23/03/2016
E01 40	Tree Health	Assistant Director - Transport, Waste & Environmental Management	ENV0142	
R01 32	Failure to retain, attract and recruit the right people and right skills	Assistant Director, Human Resources	CSCE0007	21/11/2013
R02 32	Insufficient money to support infrastructure needs derived from new housing developments etc. (CIL/S106)	Assistant Director - Property	CSCE0023	20/11/2014
CS01 32	A child or young person could die	Director of Children's Services	CSF0055	30/06/2011 29/03/2014
R03 32	HCC's pension fund level may not improve sufficiently to cover accrued pension costs	Assistant Director Finance	CSHF0002	
E02 32 ↑	Residual Waste Treatment Programme	Assistant Director - Transport, Waste & Environmental Management	ENV0104	
HC01 32	Attraction of care-workers - Care Act 2014 non-compliance	Director of Health and Community Services	HCS0010	23/09/2016
HC02 32	NHS commissioning	Director of Health and Community Services	HCS0012	23/09/2016
HC03 32	Inadequate care leads to death or abuse of client	Assistant Director Health and Community Commissioning	HCSCP0001	29/09/2011 28/03/2013
HC04 32	DOLS - Deprivation of Liberty Safeguards	Operations Director, Learning Disabilities and Mental Health	HCSMH0002	16/06/2014

No. and Score	Brief Risk Description	Risk Owner (Job Title)	Risk Ref	Date of Risk Focus Report
HC05 32	Discharging patients from hospital - bed blocking	Director of Health and Community Services	HCSOPD0001	23/09/2016
CP02 24	Radicalisation - Prevent	Deputy Chief Fire Officer	CP0004	
CP03 24	Extreme Weather	Assistant Chief Fire Officer - Response and Resilience	CPRES0009	
R04 24	Failure to develop sufficient timely proposals to deal with the ongoing reductions in funding/resources and subsequent impact on services/reserves.	Assistant Director Finance	CSCE0017	
R05 24	Insufficient skills in commissioning / contract management and competencies	Assistant Director - Improvement and Technology	CSCE0019	
CS02 24	School's expansion programme costs	Assistant Director (Education Provision & Access)	CSF0070	25/11/2015
R06 24	Reduction in government and external funding	Assistant Director Finance	CSHF0005	
HC06 24	Better Care Fund - BCF	Assistant Director, Health Integration (E&NH)	HCS0011	
R07 24	Failure to train employees to required standards	Assistant Director, Human Resources	HR0018	
R08 16	The Council experiences significant fraud	Head of Assurance	AUDIT0001	20/06/2012
CP04 16	Failure of Local Resilience Forum - LRF - inadequate inter agency plans	Assistant Chief Fire Officer - Response and Resilience	CPRES0001	24/11/2011 23/09/2015
CP05 16	HCC business continuity plans - BCP	Assistant Chief Fire Officer - Response and Resilience	CPRES0002	24/11/2011 23/09/2015
R09 16	Failure to comply with Safe Staffing legislation	Assistant Director, Human Resources	CSCE0009	

No. and Score	Brief Risk Description	Risk Owner (Job Title)	Risk Ref	Date of Risk Focus Report
RS01 (De-escalated) 16	Legal challenge to policies and/or decisions	Chief Legal Officer	CSCE002	
E03 16	Condition of our roads	Deputy Director Environment	ENV0030	20/09/2013
E04 16	Road maintenance investment	Deputy Director Environment	ENV0033	
CP06 16	HFRS training requirements	Fire and Rescue Assistant Chief Officer - Service Support	HFRS0004	
R10 16	Industrial action	Assistant Director, Human Resources	HR0017	
PH01 16	Health Protection emergency	Deputy Director of Public Health	PHD0014	21/06/2016
R11 16	The sale of assets may not provide the level of capital receipts to meet the target	Assistant Director - Property	PROP0020	
R12 16	Cyber-attack on HCC's ICT	Head of Technology	TEC0004	
R13 12	Loss/inappropriate acquisition/disclosure of sensitive personal or commercial data	Assistant Director - Improvement and Technology	CSCE0013	
R14 (Withdrawn) 12	Schools may use a supplier without the relevant background checks	Assistant Director - Property	PROP0016	
R15 12	Land owned by the Council and no longer required for the purpose for which it was bought may not have an active management regime in place	Assistant Director - Property	PROP0018	

### Next Steps

Challenges and recommendations from Audit Committee will be considered by the relevant risk owners/Services. Action taken as a result will update the corporate risk register and be reported to the appropriate cycle of risk review meetings.

**Risk Matrix** – The following chart shows where, and what category/colour the risk will fall in dependent on the scores. Red being the most severe and green being the least.

The scores within the chart are multiples of the likelihood and impact, e.g. (*Likelihood of*) 4 x (*Impact of*) 8 = (*Risk Score of*) 32

**Assessing Impacts**

Impact Score	Impact Title	Example description
1	Negligible	Annoyance but does not disrupt service: Minor injury to an individual; Financial loss under £50k; Isolated service user complaints contained within unit/section; Litigation claim or fine less than £50k; Failure to achieve a core team plan objective
2	Low	Minor impact on service; Minor injuries to several people; Financial losses between £50k-100k, Isolated service user complaints contained within department; Litigation claim or fine between £50k -100k; Failure to achieve several team plan objectives including a core objective
4	Medium	Service disruption; Major injury to an individual; Financial losses between £100k-1 Million; Adverse local media coverage. Lots of service user complaints; Litigation claims or fine between £100k - £1Million; Failure to achieve one or more strategic plan objective
8	High	Significant service disruption; major/disabling injury to employee, service user or other stakeholder; financial losses between £1Million-£5Million; adverse national media coverage; litigation claim or fine between £1Million-£5Million; Failure to achieve one or more strategic objective
16	Very High	Total service loss for a significant period; fatality to employee, service user or other stakeholder; financial loss in excess of £5 Million; National publicity more than 3 days. Possible resignation of leading member or chief officer; Multiple civil or criminal suits. Litigation claim or fine above £5 Million; Failure to achieve a major corporate objective in the Corporate Plan

<b>Severe</b>	The Board feels most concerned about carrying this risk. The consequences will have a severe impact on the delivery of a key priority and comprehensive management action is required immediately.
<b>Significant</b>	The Board feels concerned about carrying this risk. The consequences of the risk materialising would be significant, but not severe. Some immediate action is required plus the development of an appropriate action plan.
<b>Material</b>	The Board is uneasy about carrying this risk. Consequences of the risk are not significant and can be managed through contingency plans. Action plans can be developed later to address the risk.
<b>Manageable</b>	The Board is content to carry this risk. Consequences of the risk are considered relatively unimportant. The status of the risk should be reviewed periodically.

**Assessing Likelihood**

Scale	Description	Likelihood of Occurrence
1	Rare	<ul style="list-style-type: none"> <li>Extremely unlikely or virtually impossible</li> <li>Less than 5% chance of happening</li> <li>Unlikely to occur in a 50 year period</li> </ul>
2	Unlikely	<ul style="list-style-type: none"> <li>Could occur at some point</li> <li>6% to 20% chance of happening</li> <li>Unlikely to occur within a 10 year period</li> </ul>
3	Possible	<ul style="list-style-type: none"> <li>Fairly likely to occur</li> <li>21% to 50% chance of happening</li> <li>Likely to occur once within a 10 year period</li> </ul>
4	Likely	<ul style="list-style-type: none"> <li>Will probably occur in most circumstances</li> <li>51% to 80% chance of happening</li> <li>Likely to occur once within a one year period</li> </ul>
5	Almost certain	<ul style="list-style-type: none"> <li>Expected to occur in most circumstances</li> <li>More than 80% chance of happening</li> <li>Likely to occur within 3 months</li> </ul>

**Impacts**

	Negligible (1)	Low (2)	Medium (4)	High (8)	Very High (16)
Almost certain (5)	5	10	20	40	80
Likely (4)	4	8	16	32	64
Possible (3)	3	6	12	24	48
Unlikely (2)	2	4	8	16	32
Rare (1)	1	2	4	8	16

Likelihood