

Committee **AUDIT AND REVIEW**
Date: **6 November 2009**

Report: **ANNUAL REVIEW OF THE EFFECTIVENESS OF THE**
 ARRANGEMENTS FOR RISK MANAGEMENT

Purpose of report

1. To provide members with the opportunity to review the effectiveness of the arrangements for risk management, in line with the annual timetable set out in the Authority's Risk Management Policy.

Strategic Planning Framework

2. The information and recommendation contained in this report are consistent with the Authority's statutory purposes and its approved strategic planning framework, and in particular its objective to manage all aspects of the Authority's business so as 'to make the most effective use of its resources' (Corporate Plan 2009/10).

Background

3. Under the heading of 'Evaluation of Effectiveness', the Risk Management Policy states that:

"The Audit & Review Committee will, on an annual basis (at their autumn meeting), evaluate the effectiveness of the arrangements for risk management. This evaluation is to be based on a report to the Committee by the Head of Finance & Resources, which will address the following issues:

- Any issues arising from the latest Statement of Internal Control;
- Audit and inspection reports received since the last annual evaluation, and whether they highlight any particular strengths or weaknesses;
- Any major incidents which have occurred in the period since the last evaluation;
- Any developments in good practice in this area; and
- The extent to which risk management is becoming embedded in organisational processes.

This report will include a copy of the Strategic Risk Register."

Discussion

4. The **Annual Governance Statement (AGS)** was approved by this Committee on 13 February 2009. The AGS, which replaces the annual Statement of Internal Control but provides a similar analysis of the major risks faced by the Authority (and their status) formed part of the accounting and disclosure arrangements connected with the Authority's annual report and accounts, and was subject to external audit by the Audit Commission. No risk-related issues arose from that statement, a conclusion that was supported by the external auditor's work.

5. **External audit reports** on all aspects of the Authority's work on its annual report and accounts (for the 2008/09 auditing cycle) have delivered unqualified opinions on the way in which the Authority conducts and controls its activities. No material risks were identified that had not already been addressed; review of the Authority's Risk Management Policy and Risk Register informed the audit process.

6. Since the last full review reported to this committee in November 2008, all six **Internal Audit reports** completed by our contracted-out internal auditors have been presented to Members (at the meeting of this committee on 23 April 2009). The overall opinion of the Internal Audit Manager as to the state of controls and practices operated by the Authority is that they are good, which is the highest level that can be achieved, and the one that will remain the objective. None of the reports identified any material weaknesses.

7. Since November 2008, three new strategic risks have been added to the register. The substance of these risks already existed, but they are now separately identified because of their importance.

- #14. Officer stress. This subject has seen much attention with the Human resources profession, with the recognition of employers' responsibility for managing stress in the workplace. With challenging times ahead, we need to be conscious of the potential for affecting employee well-being through increased or changing workloads.
- #19. Failure to complete projects or meet targets. With more emphasis on project management and performance measurement now in place, this risk warrants separate recognition within the overall category of performance.
- # 22. Regional spatial planning ignores the special circumstances of the National Park. This is a specific (but significant) risk, and merits recognition because of the work needed to ensure that the Authority achieves and maintains representation in the relevant fora, as a necessary part of delivering Management Plan objectives.

Other Current Risk Issues

8. The most significant current risk is arguably related to income. Beyond 2010/11, it is quite possible that the Defra core grant will be cut. Options for dealing with this contingency will be discussed by the Finance & Resources Committee in December. Other income lines are being affected by the recession, including interest income (on cash

balances) and planning fee income. The affects of such falls in earned income are being dealt with through the budget process.

Developing Good practice and the Strategic Risk Register

9. Further 'Good practice' development has been undertaken in such areas as Health & Safety and through the continuing development of Corporate Governance best practice. We are subject to a re-assessment against the Investors in People standard in November 2009 which will hopefully provide affirmation that our people management, and particularly training, processes remain appropriate. Risk management is also supported by the committee process, where areas as diverse as budget performance, health & safety-related accidents and overall business performance against targets are reported regularly.

10. Of particular note this year is the work undertaken to assess risks in relation to the Corporate Manslaughter Act 2007 (see **Appendix 1**). All of these factors contributed to the good audit opinions that the Authority has received from the external auditors. Risk Management work also feeds into discussions with our insurers, providing assurance that our own processes help to reduce insurable risk (and therefore insurance costs).

11. A copy of the **Strategic Risk Register** is attached at **Appendix 2**; the items described are the high-level risks, having potential to affect the operation of the Authority as whole. As required by the Risk Management Policy, this register has been subject to six-monthly review by the Senior Management Team (in May and October 2009). There are a number of changes to the register (highlighted by grey shading), the majority of which add further detail to existing risks.

12. This will be the last time that this committee sees the risk register in this format. In 2010, it will be written so that risks are more clearly linked to corporate objectives, which should make it easier to identify any shortfalls in risk management.

RECOMMENDATIONS

13. That Members agree that the Strategic Risk Register contains all identifiable higher level risks which the Audit & Review Committee requires to be monitored.

Richard Burnett
Head of Finance & Resources

22 October 2009

Background documents: none

Appendix 1

Potentially Hazardous Situations - Risk Assessment and Other Procedures relevant to Corporate Manslaughter Act 2007				
Environment, situation or hazard	Code of Practice	Risk Assessment	Comments	Action Required
Fire on NPA premises	# 1	Fire Safety Plans	Specific fire plans, wardens and risk assessments in place - annual review.	Review scheduled for October 2009 - Paul Drake leading
Electrical equipment (indoors or fixed) incl. woodworking machinery	# 3, 16		Regular inspection - contract with NYCC. Training as appropriate.	
Electrical equipment (outdoors or mobile)	# 17	Required as part of numerical risk assessment	Annual Statutory Inspection.	
General office / centre hazards	# 4, 5, 6	Conducted annually		
Manual handling	# 15	Required	Training mandatory	
Working outdoors / at remote sites in severe weather (inc Lone Working)	# 17, 18, App.D	Safe return procedure	PPE, appropriate training. PM staff undertaken Hillcraft training course.	H & S report to discuss with new starters as part of induction. Hillcraft training - every 3 years to pick up new starters
Working with hazardous substances and materials (including physical and biological waste/litter)	#14, 24, 30, 31, 32, App.A	Annual COSHH audit, review of hazard data sheets. Risk assessments required for litter collection		Phil Richards to check RA been completed
Violent visitors / people with criminal intent / alarm call-out	#35, App.B / B.1		Training: Dealing with Difficult People, Lone Working, Buddy System, Risk Assessments	Staff updated on alarm call out procedures. Conflict management training held in March 2009
Use of ladders / 'working at heights' and lesser heights	# 7,	Required.	COP updated June 2009	
Driving vehicles on road, inc. towing	# 8, 9, 10		Age of driver - New regulations on towing	New regulations, - update COP
Driving NPA vehicles off road inc. quad, Argocat	# 9, 26, 27	Required	Training mandatory	
Driving 360 Digger	#9, new COP	Required	New COP for 360 digger required, once machinery purchased.	Phil Richards producing new COP
Loading/unloading vehicles/trailers	# 11			
Use of chainsaw	# 12, App.E	Required	Training mandatory	
Use of other mobile power tools and machinery including strimmer	# 13,	Required	New COP for 'blade' use -2009. Limit use of blades unless certificated.	Completed June 2009

Potentially Hazardous Situations - Risk Assessment and Other Procedures relevant to Corporate Manslaughter Act 2007				
Environment, situation or hazard	Code of Practice	Risk Assessment	Comments	Action Required
Use of fixed power tools and moving machinery	# 16		Specific training mandatory	
Working in or near the highway or other sites with vehicular use	# 34	Required	Street Works' supervisor (SWS01) in place; Access Rangers trained in 'Highway Re-instatement' (SWS04). Must also notify Co. Highways.	Matt Neal updating COP for Sept 2009
Excavations	# 17	Required		
River banks and steep terrain	#17, 18	Required for work projects		
Working near dangerous livestock	# 18	Required		
Working in shooting areas	# 18	Required		
Bogs (etc) and unstable / flooded areas	# 18	Required		
Entering mines (and caves)	# 18	Required		
Entering quarries, industrial premises and (others') potentially hazardous work-places	# 18	Required		
Entering railway property	# 18	Required		
Entering military land	# 18	Required		
Entering derelict buildings, unknown buildings, building sites	# 18	Required		
Events / educational activities in the outdoors	# 19	Required	Event leader accreditation implementation began February 2008	Get update from Rae Lonsdale
Failure to provide adequate emergency aid equipment and trained personnel	H&S Policy / Key H&S Personnel		Action Plans, appointed first aiders, training etc. Regularly monitored	New guidance/regulations coming 1 October 2009. Review procedures.
Working with helicopters	# 33	Required		
Additional responsibility for young people in the work-place	App.C	Required		Phil Richard to speak to Rae Lonsdale
Risk to staff from contractors carrying out work to the Authority's buildings.		Required. Method statements required	Risk assessments. H & S procedures to be agreed with NPA staff. No contractors should be working on buildings without approval of Projects & Estates Officer/Maintenance Officer.	

STRATEGIC RISK REGISTER (working version, 22 October 2009)

Category	Risk	Impact	Controls
1. Reputation	1. Inappropriate contact with the public (officers, members, volunteers).	A	Standing Orders; Declarations / registers of Interest (including officers); employment clauses, inc. 'Non-political activity'; training and recruitment procedures; District Audit 'probity' reviews; Monitoring Officer; Member Code of Conduct and disciplinary procedure, including Standards Committee; Procedures for dealing with complaints; Officer Code of Conduct (revision to F&R Committee, December 2009); corporate Media Procedure & Protocol; Customer Service Excellence Award: pre-assessment underway (for March 2010).
	2. Quality of Committee decisions.	C	Member training; Senior Officer – including Monitoring Officer - guidance; External Audit - Audit Commission - review & recommendations; officer professional training / competence. Quality of officer reports. Corporate Governance Framework. Guidance issued to officers about the information Members need to support decision making.
	3. Corruption, fraud and other illegal activities.	B	Internal Audit; Treasurer role; Financial controls; Gifts & Hospitality Code of Conduct; Anti Fraud & Corruption procedure (revision to Authority, November 2009). 'Communications' network of contacts (across whole Authority); prescription and separation of duties, including Scheme of Delegation; Confidential Reporting Policy; 'Politically Restricted Post' process.
2. Resources			
2.1 Financial	4. Budget Failure, including: (i) cash flow and working capital management. (ii) Treasury Management, and failure of cash investments (iii) change in Finance Team personnel	B	(i) Working capital / cash flow can be adjusted by the flexibility in the draw down rate of the Defra grant. The risk is thus only with 'earned' income (which the above flexibility can assist in managing out): falls in earned income will require adjustment to spending budgets. (ii) To date, the Authority has had no exposure to failed investment banks. The approach to risk management is described in the Treasury Management Report taken to the Authority meeting on 31 March 2009. General controls: budgeting and monitoring process; professionally qualified staff; Financial Regulations; Treasurer; District Audit; DEFRA reporting. Continuous review of delivery structures. Three-year budget. For new staff, controls are documented handover and induction process, probationary review, internal and audit monitoring.

Category	Risk	Impact	Controls
	<p>5. Funding risk: failure to maximise grant income / over-reliance on primary funding; Inflation. Including: Defra grant; External funding; YDMT; Bad Debts; Exchange rates; Earned income shortfalls. Increased difficulty of obtaining external funding, due to economic downturn.</p>	A/B	<p>(i) Defra grant issues: scenarios modelling grant stand-still or cuts will form part of budget modelling being considered by the Finance & Resources Committee in December.</p> <p>(ii) External funding likely to be more difficult to access: spending plans (including staffing) are matched against grants as they become available (no reliance on other grants for core operations).</p> <p>(iii) YDMT likely to see lower 'donations' and grant income, having a potential affect on joint working; monitored through liaison meetings.</p> <p>(iv) Very few commercial debtors (e.g. year-end 2008/09: £1250 in total), so exposure is minimal</p> <p>(v) Only exposure to exchange rates for residual fund for Limestone Country project: full provision has been made against this. Otherwise, no EU monies in budget.</p> <p>(vi) Earned income shortfalls to be managed through re-budgeting.</p> <p><u>General controls:</u> Managed bid process with DEFRA; external funding group; partnership liaison; budgetary control and reporting (incl. to Senior Management and F&R Committee). External Funding process introduced, including targets; budget setting (especially long-term) and monitoring process. Staff and other costs management and review process in place.</p>
	<p>6. Asset security; theft and damage.</p>	B	<p>Asset Register reviewed annually, with all equipment being tagged / marked.</p> <p><u>General controls:</u> Financial Regulations & Accounting controls; asset registers; insurance; maintenance work (including dedicated staff & budgets); car park cash collection contract; alarm facilities & contracts.</p>
	<p>7. Compliance with financial standards</p>	B	<p>Professional officers, including Accountant and Monitoring Officer/ Solicitor, to identify / interpret new legislation; input from Members, District Audit, Treasurer.</p>
	<p>8. Pension scheme (risk of mismanagement and of runaway contribution costs).</p>	B	<p>Contracted in to NYCC scheme, with contribution rates set by third party actuarial valuation; regular reports to committee. Risk assessment, and identification of counter measures, integral to annual Funding Strategy Statement. Long term deficit recovery plan in place.</p>
	<p>9. Fraud, error (including expenses and collusive supplier fraud). Increased risk in current economic climate, across supplier / purchaser chain.</p>	B	<p><u>General controls:</u> Anti-fraud and Corruption Procedure; Confidential Reporting policy; Internal Audit; Treasurer role; Financial Regulations and accounting / financial controls (including prescription and separation of duties); District Audit National Fraud Initiative; budgetary monitoring and managerial control.</p>

Category	Risk	Impact	Controls
2.2 Human Resources	10. Recruitment risks / difficulties.	B	Recruitment policies, including pre-employment health screening; psychometric testing; 'Preventing Illegal Working'. Monitoring market-rates of salary levels; Criminal Records Bureau appraisals where critical (process revised 2009); employment references. Training updates on recruitment to all staff involved in the recruitment process.
	11. Loss of key staff. Includes contingency planning for 'emergency' scenarios.	C	Notice clause in employment contracts for staff on pay bands B and above; developmental training, including management development, offered to staff to provide a degree of succession planning. Use of secondments / 'acting up'; external contracting. Project management notes and recording, to assist hand-overs. Identification of 'operation-critical' posts.
	12. Failure to comply with legislation. Liabilities arising from: Harassment, bullying, sexual assault, other violence, discrimination, unfair dismissal; Failure to comply with employment legislation.	B	Professionally-qualified Personnel staff; Monitoring Officer; advice from NYCC under Service Level Agreement; District Audit; guidance from central and local government; interaction with, and advice from, UNISON. Working with peer group on applicability (principally, other NPAs). Disability Equality Scheme (DES) action plan in place; Equality Impact assessments underway. Availability of in-house legal expertise. Diversity Awareness Training (Members and officers) scheduled for October/ November 2009.
	13. Hazardous working; includes personal security / lone working.	B	Health & Safety procedures and policies, including appropriate training; compulsory risk assessment process (includes annual review of drivers' documentation, to ensure safe business driving) ; H&S working Group; revision of Corporate Manslaughter Risk Matrix, completed September 2009; Annual COSHH (Control of Substances Hazardous to Health) assessment carried out and register maintained; insurance; routine and regular reporting (including accidents) to SMT and F&R Committee. SMT assessment of fatality-related operational risk, in context of Corporate Manslaughter and Corporate Homicide Act 2007.
	14. Officer stress, from reorganisation activities or pressures to achieve (identified as separable risk, this review)	B	General controls: performance appraisal and management processes; Risk assessments; confidential Occupational Health advice and counselling service (staff care network); organisational culture; Personnel policies including Capability / Improving Performance and Flexible Working .
2.3 Premises	15. Physical damage: Flooding and other extreme weather damage; Fire risk; Terrorism threat; other catastrophic event.	B	Emergency maintenance arrangements; Review of IT equipment proximal to flooding sources ; Insurance cover; IT back up and contingency plans; comprehensive fire safety process, including Fire Risk Assessments.

Category	Risk	Impact	Controls
	16. 'Health' of buildings: Legionnaires Disease, vermin infestation, ventilation, asbestos.	B	Regular inspection of properties. Asbestos assessment completed 2006, Legionnaires Disease assessment completed 2008. Lightning conductor installed Colvend, June 2009.
2.4 IT	17. Network failure across IT links.	B	Systems capable of independent operation; disaster recovery plan.
	18. Unauthorised access and data security. Risk includes Viruses / hacking / sabotage.	B	Firewall and virus control software; password control; back-ups at main server sites. Access control procedures updated March 2009. Necessity of encryption processes being considered during 2009/10.
3. Performance			
3.1 General	19. Failure to complete projects / meet targets (identified as separable risk, this review)	B	Project management system, reviews of routine processes and for key projects, including performance improvement reviews; monitoring by Committee and SMT.
	20. 'External' catastrophes. Risk of being diverted from objectives.	D	Civil Emergency Scheme; not primarily a risk for the Authority, as NYCC / CCC have responsibility for managing the regional response to civil 'crises'. Crisis Communication media plan in place.
	21. Development control: costs of major appeal / public inquiry / litigation including re: officer advice. This risk also applies to 'Rights of Way' work.	B	Head of Planning; Monitoring Officer; dedicated Definitive Map / Rights of Way team. Insurance cover for officer professional indemnity. Contingency Reserve maintained at 5% Defra core grant (£266k).
	22. Regional spatial planning ignores special circumstances of the National Park (identified as separable risk, this review)	B	Controls include: planning regulations; engagement with regional partners and rural planning authorities; provision of skilled staff to deliver Local Development Framework; early input on national and regional planning issues; joint working with regional rural planning authorities (including North Yorkshire Strategic Partnership); national working with the NPA 'family'.
	23. Contracting: procedural risk; poor tendering / contracting processes; financial stability of suppliers.	C	Financial Regulations. Procurement advice from Finance Team and Solicitor. Project management framework introduced. Procurement Strategy introduced. Review of Procurement processes underway (October 2009).
	24. Failure to follow agreed Policies and Strategies. Procedural, operational and legal risk.	B	Managed policy / strategy library now in place

Category	Risk	Impact	Controls
	25. Climate change. Long term risk to park itself and to the Authority's operations;	A	Initial analysis of risk/impacts to each work programme carried out in Jan-Mar 2009. NPAs will be asked to report on adaptation under the new Climate Change Act. Awaiting guidance from Defra on process. Park-wide adaptation strategy to be produced by NPMP steering group in 2010. Internal process to minimise carbon emissions and make energy and cost savings.
3.2 Partnerships	26. Failure to identify full joint liabilities, and time and money being spent on non-priority issues, and lack of accountability; failure of key partners.	A	Management processes; insurance cover; Authority scrutiny. Annual re-evaluation of involvement with partnerships, and of the nature of the constitution of each partnership Most partnerships are with public sector organisations, so risk of collapse and creation of unexpected liabilities is low.
3.3 Third Party liabilities	27. Risks to public whilst on our property or property we maintain; or taking part in NPA-run activities; negligence / breach of statutory duty; corporate manslaughter.	B	Park Management and other maintenance work; third party liability insurance; risk assessments for planned work, National Park Centres and Dales Countryside Museum and Car Parks (including gritting policy). Policy on protection of people from vulnerable groups (February 2009).

Note:

'Impact' notations: A= High impact, high likelihood

B= High impact, low likelihood

C= Low impact, high likelihood

D= Low impact, low likelihood

...these being the effects of **not** managing risks in these areas.