

 <p>LEE VALLEY REGIONAL PARK AUTHORITY</p> <p>AUDIT COMMITTEE</p> <p>20 SEPTEMBER 2018 AT 13:00</p>	<p><u>Agenda Item No:</u></p> <p>5</p> <p><u>Report No:</u></p> <p>AUD/94/18</p>
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RISK REGISTER 2018/19

Presented by the Director of Finance & Resources

SUMMARY

At each Audit Committee, Members review the Risk Register for progress against existing actions and to ensure that the Risk Register remains relevant to deal with the corporate risks facing the organisation.

At the previous Audit Committee in June 2018 (Paper AUD/90/18) Members approved the updated risk management strategy and corporate risk register following the Risk Management Workshop held on 7 June 2018. This Workshop analysed and reviewed the risk management strategy and corporate risk register in detail to ensure that this Committee could proactively input into, manage and monitor the register going forward with up to date risks identified that are relevant to the Authority's business over the coming years.

The review of the risk management strategy and corporate risk register also assisted Members in their consideration and approval of the Annual Governance Statement as a key part of the financial statements for 2017/18. A robust risk management framework and register is one key element of the Annual Governance Statement and a source of assurance for Members in approving this statement year on year as part of the published accounts.

RECOMMENDATION

Members Approve (1) the Corporate Risk Register included at Appendices A and B of this report.

BACKGROUND

- 1 Risk management is one of the key internal controls for an organisation. Members need to ensure that a sound system of internal control is maintained and an annual review of the effectiveness of the system of internal control is conducted to provide sufficient, relevant and reliable assurance to enable them to authorise the signing of the Authority's Annual Governance Statement (which is published with the financial statements).

- 2 Regulation 3 of the Accounts and Audit Regulations 2015 requires that:
- “ A relevant authority must ensure that it has a sound system of internal control which -
- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - (b) ensures that the financial and operational management of the authority is effective; and
 - (c) includes effective arrangements for the management of risk.”




In this context “relevant authority” is referring to Lee Valley Regional Park Authority.

- 3 Each financial year the relevant authority must –
- (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
 - (b) prepare an Annual Governance Statement - this statement must be published together with the statement of accounts and the narrative statement in accordance with Regulation 10.
- 4 Assurance of the Authority’s internal control system is derived through the work of the internal audit function (undertaken by Mazars for the Authority); and also through the monitoring of processes put in place by management and other external bodies, including those around risk management and health & safety. This provides evidence which allows the Authority to form conclusions on the adequacy and effectiveness of the systems of internal control and also on the efficiency of operations.
- 5 Risk management is not solely a focus on the finances of the Authority. The scope of internal control spans the whole range of the Authority’s activities and includes those controls designed to ensure:
- the Authority’s policies are put into practice;
 - the organisation’s values are met;
 - laws and regulations are complied with;
 - required processes are adhered to;
 - financial statements and other published information are accurate and reliable; and
 - human, financial and other resources are managed efficiently and effectively.
- 6 The Authority approved a Risk Management Framework in April 2005 (Paper A/3798/05). The Risk Management Framework and more specifically, the Risk Register was developed by Members and senior officers under the guidance of the internal auditors through a number of workshops and meetings. Members have regularly reviewed the register at each Audit Committee, adding in their own comments and improvements.
- 7 Since this time Members have consistently (and in depth) reviewed the Corporate Risk Register and revised the strategy, format, and content. The strategy has been revised and updated twice since 2005 at the Audit Committee (May 2010, Paper AUD/06/10 and June 2012 Paper AUD/30/12). The strategy has been reviewed again by officers and Members as part of the Risk

Management Workshop and was formally approved by the Audit Committee in June 2018 (Paper AUD/90/18).

REVIEW OF THE STRATEGIC RISK REGISTER

- 8 The current Strategic Risk Register is usually reviewed by officers and Members on an on-going basis and signed off at each Audit Committee.
- 9 At the previous Audit Committee in June 2018 (Paper AUD/90/18) Members approved the risk management strategy and corporate risk register so that the Committee could proactively input into, manage and monitor the register going forward - with risks identified that are now up to date and relevant to the Authority's business.
- 10 Since the June Committee officers have incorporated approved Member revisions, reviewed the register, considered potential new risks and the scoring. The table below sets out the movement in managing the residual risks and sets out a summary of the total notional score.

Risk	Inherent Risk Pre Workshop 7 June 2018	Inherent Risk Post Workshop 21 June 2018	Notional Residual Risks 21 September 2017	Notional Residual Risks 22 February 2017	Notional Residual Risks 21 June 2018	Notional Residual Risks 20 September 2018
	11	4	2	4	4	4
	13	7	8	9	7	7
	0	7	14	13	7	7
Total Risks	24	18	24	26	18	18
Notional Score	1320	1017	470	609	596	461

ENVIRONMENTAL IMPLICATIONS

- 12 There are no environmental implications arising directly from the recommendations in this report.

EQUALITY IMPLICATIONS

- 13 There are no equality implications arising directly from the recommendations in this report.

FINANCIAL IMPLICATIONS

- 14 Revision of the Strategic Risk Register is a key element of this Authority's system of internal control that contributes to safeguarding the assets of the Authority and its reputation for sound financial management of public funds. This is reflected in the Authority's Annual Governance Statement published within the annual accounts and approved by this Committee.
- 15 Where actions require additional resources these will be identified and approved through the normal budget setting/service planning and management processes in accordance with Financial Regulations.

HUMAN RESOURCE IMPLICATIONS

- 16 There are no additional human resource implications arising directly from the recommendations in this report. Actions have been set so that they can be met from existing employee resources.

LEGAL IMPLICATIONS

- 17 There are no legal implications arising directly from the recommendations in this report.

RISK MANAGEMENT IMPLICATIONS

- 18 These are dealt with through the main body of the report and through the revised register. The Ice Centre; the Picketts Lock development; the Leisure Services Contract retender projects; and the implementation of the Land & Property Strategy are now recognised as potentially the highest corporate risks facing the organisation. Continuing mitigation against these identified risks is demonstrated by the proposed actions in the strategic register as set out in Appendix B to this report and primarily through implementing and delivering the approved Business Plan.

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BACKGROUND REPORTS

Lee Valley Regional Park Authority Risk Management Strategy June 2018

PREVIOUS COMMITTEE REPORTS

Audit Committee	AUD/79/17	Risk Register 2017/18	22 June 2017
Audit Committee	AUD/82/17	Risk Register 2017/18	21 September 2017
Audit Committee	AUD/86/18	Risk Register 2017/18	22 February 2018
Audit Risk Workshop			07 June 2018
Audit Committee	AUD/90/18	Risk Register 2018/19	21 June 2018











APPENDICES ATTACHED

Appendix A	2018/19 Corporate Risk Register – Authority
Appendix B	Risk Scoring Criteria (extract from risk management strategy)







STRATEGIC RISK REGISTER AS AT 20 SEPTEMBER 2018

Risk ID	Risk Name	Inherent Risk Score				Residual Risk Score				Source of Assurance	Existing Controls	Further Actions Needed to reduce Risk	Deadline for Completion of Actions	Officer(s) Responsible	Comments
		Lead	Impact	Likelihood	Total Score	Lead	Impact	Likelihood	Total Score						
SR1	Legal Failure to comply with the 1966 Park Act and other statutory requirements.	DCS	8	7	56	6	1	6	6	EA -Annual Audit Letter IA Audit Plan SMT Weekly Meeting Minutes M Exec Monthly	Provision of Legal Services Member scrutiny through Authority & Committee meetings Annual Governance statement Park Act Awareness covered by inductions for new staff.	Continue Induction Process and monitoring of statutory changes	Quarterly	DCS	Ongoing
	Failure to comply with Health & Safety legislation	DFR	9	6	54	7	2	14	7	RD/SMT 1/4ly Reports BSC 3 yr ext review RD Annual Audits M Year Report	Health and Safety management H&S manual (procedures) regularly reviewed by RDHS who monitor up and coming legislation. Policy Updated annually Risk Reduction Plan complete. External H&S Assessment 5* Annual Report to Audit Committee	Annual Internal Audit & H&S Audit Plans delivered.	21/06/2018	DFR	Completed and approved at Audit Cttee 21/06/2018
SR2	Contractual Agreeing to accept a partners' financial terms and conditions that will place an unacceptable long term liability on the Authority	DFR	9	4	36	8	2	16	8	M Exec Monthly LA agreement	Reports to SMT and Members Financial/Legal/Risk Implications fully appraised. Appraisal of schemes in accordance with prudential code.	Ongoing resources review for specific projects	Quarterly	DCS/ DFR	Ongoing
	Contractors, Governing Bodies, or Trust not delivering agreed objectives/contract	DFR	7	6	42	6	2	12	6	M Exec Monthly M Scrutiny 1/4ly	All contracts reviewed prior to commencement by a responsible officer. Delivery monitored by Director/Head of Service and Quarterly Performance Reports to Executive & Scrutiny Committees	Quarterly Contract monitoring.	Executive Quarterly Monitoring	HSL	Contracts in general are working well with very few issues. The Trusts performance in relation to the LSC are detailed within the September Members paper.
	Management of Facilities Contracts & failure to maintain assets to a good H&S and operational standard	DCS	9	4	36	7	3	21	7	APMD Annual Inspections	Advice and support APMD plus external contractors. Quality contactors employed for maintenance through procurement (Price Quality ratio applied)	Ongoing Monitoring	Annual Inspections & Review.	APMD	Annual inspections are ongoing and will be completed by 31.12.2018







STRATEGIC RISK REGISTER AS AT 20 SEPTEMBER 2018

Risk ID	Risk Name	Inherent Risk Score				Existing Controls	Residual Risk Score	Residual Risk Score				Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	Comments 20/09/2018
		Lead	Impact	Likelihood	Total Score			Impact	Likelihood	Total Score	Tolerance/Transfer/Treat/Terminate (if Treat, further actions needed)				
SR 3	Resources I.T. infrastructure does not meet future business need requirements. Authority requires funding for updating or improving I.T infrastructure	DFR	9	4	36	 <p>Reports to Members Financial/Legal/Risk implications fully appraised. Appraisal of schemes in accordance with prudential code. Existing IT Infrastructure budget £100K pa</p>	 <p>SMT Weekly Meeting Minutes IA Audit Plan EA -Annual Audit Letter</p>	8	3	24	Treat	30/09/2018	DFR	Report to LSC working group 20/09/2018	
	The Authority fails to recruit/retain staff at all levels of the appropriate calibre	CEO	8	8	64	 <p>Reward & Recognition Training & development framework Management Away Days Staff presentations Internal/External communications Up to date staff handbook Up to date policies</p>	 <p>M Annual Sickness Report M -Policy Reports SMT Annual Training panel</p>	4	4	16	Treat	On-going	CEO/ DFR	See Comment above	
SR 4	Financial Management Financial Risks of over/under spent budget through non-achievement of income targets or inaccurate budget forecasting. Insufficient Resources to meet objectives	DFR	9	9	81	 <p>Budget monitoring reports Authority/Trust monitoring Meetings Joint Chairs Meeting Review 2017/18 complete Medium Term Financial Plan £4m Minimum Reserves Policy Statutory Power to Levy</p>	 <p>M Exec 1/4ly M Authority Annual Budget SMT Monthly & 1/4ly Reports</p>	7	2	14	Treat	24/01/2019	DFR	Quarter 1 Revenue & Capital Monitoring to Executive 26/07/2018	
SR5	Governance & Leadership Lack of a clear corporate direction	CEO	9	9	81	 <p>Authority meetings SMT Business Plan 2016-19 MTFP to 2020 Levy Strategy Land & Property Strategy Vision 2010-2020</p>	 <p>M 1/4ly Authority Meetings M Working Groups SMT Weekly Meeting Minutes</p>	9	3	27	Tolerate	24/01/2019	CEO	LSC retender in progress Service Reviews in progress	
	Challenge to Authority's powers to raise the Levy on all constituent councils	CEO	9	9	81	 <p>Stakeholder engagement Clear Budget/Levy Direction Funded Financial Plan Statutory Levy Raising Powers Monitoring of Legislation</p>	 <p>SMT Weekly Meeting Minutes LA as needed</p>	9	1	9	Tolerate	Quarterly Monitoring 24/01/2019	CEO	Ongoing	

STRATEGIC RISK REGISTER AS AT 20 SEPTEMBER 2018

Risk ID	Risk Name	Inherent Risk Score				Residual Risk Score				Total Score	Treat/Transfer/Terminate (if Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officers Responsible	Comments 20/09/2018	
		Lead	Impact	Likelihood	Total Score	Existing Controls	Source of Assurance	Impact	Likelihood							Total Score
SR6	Reputation/Communication Impact on Authority's reputation due to service failure, damaged stakeholder and/or contractor relationships.	HC	7	5	35	 Existing Controls Managed via Contract Stakeholder updates Feedback/ liaison with Trust Stakeholder Communications Speaker engagements Existing media relations	SMT Weekly Meeting M 1/4ly Authority Meetings M Exec Monthly Stakeholder Perception KPI	6	3	18	 ↑	Treat	Regular client meetings	Quarterly Monitoring Report	HC	Continued engagement with stakeholders (including major events), media relations and joint promotional work with the Trust
SR7	Business Continuity Inadequate business continuity implementation at any (all) sites following natural disaster, IT failure including Cyber Terrorism, Flooding, Disease Outbreak (animals/humans), Terrorism.	CEO	6	5	30	 Emergency Action Planning Disaster Recovery Plan Business Interruption Insurance Adequate Cover arrangements exist for Senior Management Plans Joint Trust/Authority Training Insurance Policies/Funds General Reserves H&S Audits Working with EAVCRT and other Local Authorities	EA -Annual Audit Letter IA Audit Plan SMT Weekly Meeting Minutes M Exec Monthly	5	3	15	 ↑	Treat/Transfer	Audit Recommendations implemented Further training and testing. Trust Risk Register - alignment re risk and continuity	Quarterly Monitoring	HSL	Officers have reviewed processes to best manage this area between now and the new LSC starting in 2020. Event planning is conducted on an event by event basis.
SR8	Environmental Management Failure to manage contamination could be a risk to users, this includes land and/or water contamination (also damage to reputation from failing to manage contamination)	DCS	9	9	81	 Site investigations carried out prior to developments & land remediated. Site investigations carried out on some other sites. Some sites monitored. Sites closed to public access where contamination is significant. Contaminated Land Policy Member Task & Finish group Completion of Contaminated Land Strategy & Policy Consultant Site investigations work completed.	M 1/4ly Authority Meetings Working Groups M Exec Monthly SMT Weekly Meeting Minutes	7	2	14	 ↔	Tolerate	Ongoing monitoring	Ongoing Monitoring plus analysis when land sold/purchased or developed	DCS	Ongoing monitoring in line with Land Contamination Strategy & Policy

STRATEGIC RISK REGISTER AS AT 20 SEPTEMBER 2018

Risk ID	Risk Name	Inherent Risk Score				Residual Risk Score				Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	Comments
		Lead	Impact	Likelihood	Total Score	Lead	Impact	Likelihood	Total Score				
SR9	Major Business Developments Ice Centre Failure in Strategic Risks 1-8 above in the development of the Ice Centre circa £38m project and Legal Challenge	CEO	9	8	72	9	7	63	 	Treat Approval Business Plan Design Team Engagement stakeholders, users and local community	30/09/2018	HSL	Executive report - Twin pad alternative approach 26/07/2018. Report back in early 2019.
	Picketts Lock Development Failure in Strategic Risks 1-8 above in the development of the Picketts Lock circa £40m project and Legal Challenge	CEO	8	8	64	8	7	56	 	Treat Approval Business Plan Design Team Engagement stakeholders, users and local community	31/03/2019	DCS	Project in initial phases report to Executive 20/09/2018
	Leisure Services Contract Retender Failure in Strategic Risks 1-8 above in the retender of the Leisure Services Contract circa £20m and potential Legal Challenge	CEO	8	8	64	8	6	48	 	Treat Market Engagement Specification	30/11/2018	CEO	Market engagement returns received. OJEU notice to be published in November. Tender exercise on target

STRATEGIC RISK REGISTER AS AT 20 SEPTEMBER 2018

Risk ID	Risk Name	Inherent Risk Score				Residual Risk Score				Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	Comments 20/09/2018
		Lead	Impact	Likelihood	Total Score	Impact	Likelihood	Total Score	Tolerate/Transfer/Treat/Terminate (if Treat, further actions needed)				
SR10	Implications of Implementing Land & Property Strategy Purchases- Opportunity Cost of Resources, Reducing Available Resources or increasing future liabilities	DCS	8	6	48							HoP	Considering any areas of land identified by the Land & Property Working Group that are offered for purchase. Reporting to Executive as matters progress.
	Disposals - Legal challenge, Reputational Damage, reduced public access or bio diversity	DCS	8	7	56							HoP	Progressing land disposals identified by the Land & Property Working Group. Reporting to Executive as matters progress.

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1017

Progress in a positive direction ie reducing the risk
Progress is negative and risk is getting worse.
Progress static subject to actions or as risk is "tolerated"



Score 45-81 High Risk
Score 18-42 Moderate risk
Score 1- 16 Low risk

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Risk Appetite

Risks are currently assessed using a 1-9 scale for both impact and likelihood. The Authority's risk appetite is then defined using the scoring matrix below.

Impact	9	9	18	27	36	45	54	63	72	81
	8	8	16	24	32	40	48	56	64	72
	7	7	14	21	28	35	42	49	56	63
	6	6	12	18	24	30	36	42	48	54
	5	5	10	15	20	25	30	35	40	45
	4	4	8	12	16	20	24	28	32	36
	3	3	6	9	12	15	18	21	24	27
	2	2	4	6	8	10	12	14	16	18
	1	1	2	3	4	5	6	7	8	9
		1	2	3	4	5	6	7	8	9
		Likelihood								

Those risks with a residual score in the green zone are generally considered to be managed to an acceptable level and hence limited or no further actions would be expected.

For those risks with a residual score in the amber zone, the exposure is considered to be partially acceptable. Further actions would be needed to lower this into the green zone, although a decision has to be made as to whether this is cost effective, given that resources are constrained.

Those risks with a residual score in the red zone are considered to have an exposure that is at an unacceptable level and hence further actions are needed to lower this.

On some occasions a decision may be made to accept a higher level of residual risk, although this will be subject to ongoing review and consideration at both Senior Management Team and Member level.

Scoring Criteria

Each risk is scored on the basis of the following criteria for impact and likelihood, both for inherent and residual risk. Whilst the assessment remains subjective, these criteria serve as a guide and are used to help ensure consistency in scoring across each of the risks identified.

	Impact	Likelihood
1	No impact	<1% likely to occur in next 12 months
2	Financial loss up to £1,000 or no impact outside single objective or no adverse publicity	1%-5% likely to occur in next 12 months
3	Financial loss between £1,000 and £10,000 or no impact outside single objective or no adverse publicity	5%-10% likely to occur in next 12 months
4	Financial loss between £10,000 and £25,000 or minor regulatory consequence or some impact on other objectives	10%-20% likely to occur in next 12 months
5	Financial loss between £25,000 and £50,000 or impact on other objectives or local adverse publicity or strong regulatory criticism	20%-30% likely to occur in next 12 months
6	Financial loss between £50,000 to £250,000 or impact on many other processes or local adverse publicity or regulatory sanctions (such as intervention, public interest reports)	30%-40% likely to occur in next 12 months
7	Financial loss between £250,000 to 500,000 or impact on strategic level objectives or national adverse publicity or strong regulatory sanctions	40%-60% likely to occur in next 12 months
8	Financial loss between £500,000 to £1 million or impact at strategic level or national adverse publicity or Central Government take over administration	60%-80% likely to occur in next 12 months
9	Financial loss above £1 million or major impact at strategic level or closure/transfer of business	>80% likely to occur in next 12 months