



**LEE VALLEY REGIONAL PARK AUTHORITY**

**AUDIT COMMITTEE**

**23 FEBRUARY 2017 AT 12:30**

**Agenda Item No:**

**7**

**Report No:**

**AUD/74/17**

## **RISK REGISTER 2016/17**

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.

Following input from Members at the last Audit Committee the register has been updated for use going forward.

### **RECOMMENDATIONS**

Members Approve: (1) the Authority's Strategic Risk Register (incorporating any agreed changes recommended at this Committee meeting) as attached at Appendix B to 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 the 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 (20 May 2010, Paper AUD/06/10 and 28 June 2012 Paper AUD/30/12).

## **REVIEW OF THE STRATEGIC RISK REGISTER**

- 8 The current Strategic Risk Register is reviewed by officers and Members on an on-going basis. At the meeting in September 2015 (Paper AUD/63/15) Members agreed the corporate Risk Register recognising that many of the previously identified risks had been satisfactorily addressed.
- 9 Members also requested on an ongoing basis that:
  - residual risk scores needed reassessing to ensure that we were not over-

stating the current position and to indicate the overall direction of travel. Since the February, June and September meetings officers have reviewed the scoring against the criteria set out in detail at Appendix A to this report. The table below sets out a comparison of the movement in managing the residual risk over time and the associated total notional score.

Risk	Inherent Risks	Notional Residual Risks 25 February 2016	Notional Residual Risks 16 June 2016	Notional Residual Risks 22 September 2016	Notional Residual Risks 23 February 2017
	8	0	0	1	3
	14	10	9	9	7
	0	12	13	13	15
<b>Total Risks</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>23</b>	<b>25</b>
<b>Notional Score</b>	<b>1232</b>	<b>422</b>	<b>389</b>	<b>424</b>	<b>504</b>

There were no further changes requested.

- 10 At the previous Audit Committee development of a new Ice Centre was identified as a new corporate risk on the register. Inclusion of this risk could be considered as falling within the 8 main strategic risks already identified within the register. However, in line with the previous risk-management of the Olympic build and Olympic legacy the potential scale of investment (£30m) and scale of change leads officers to recommend that this project is identified separately on the register.

There is currently a Member led working group that has reported to the full Authority (Paper A/4228/16). Authority has approved the preferred site and set aside specific resources to deal with the next phases of the project involving design work and preparing a capital funding model. Members of this Committee will want to ensure the legal, financial, reputational, contractual, environmental, business continuity, planning and project management risks are monitored as part of the organisation's required governance.

- 11 A further two part risk has been identified and added to the register by officers. This relates to the approved Corporate Land & Property Strategy approved at full Authority on 19 January 2017 (Paper A/4237/17). Potentially in any given year opportunity for land purchases or disposals may arise and although the Authority has controls in place to manage such transactions any decision to proceed will need to apply the further actions highlighted to mitigate potential risks.

## 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 project is now perceived as potentially the highest corporate risk faced by the organisation. The other potential high risk areas identified (now amber) within the corporate register relate to business continuity and resourcing risks. Continuing mitigation against these identified risks is demonstrated by the proposed actions in the Strategic Register in Appendix B and primarily through implementing and delivering the 2016-19 approved Business Plan.

Author: Simon Sheldon, 01992 709 859, [ssheldon@leevalleypark.org.uk](mailto:ssheldon@leevalleypark.org.uk)

## **BACKGROUND REPORTS**

Lee Valley Regional Park Authority Risk Management Strategy June 2012

## **PREVIOUS COMMITTEE REPORTS**

Audit Committee	AUD/06/10	Risk Register 2009/10	20 May 2010
Audit Committee	AUD/17/11	Risk Register 2010/11	02 March 2011
Audit Committee	AUD/21/11	Risk Register 2011/12	02 June 2011
Audit Committee	AUD/23/11	Risk Register 2011/12	22 September 2011
Audit Committee	AUD/26/12	Risk Register 2011/12	23 February 2012
Audit Committee	AUD/30/12	Risk Register 2012/13	28 June 2012
Audit Committee	AUD/34/12	Risk Register 2012/13	20 September 2012
Audit Committee	AUD/38/13	Risk Register 2012/13	28 February 2013
Audit Committee	AUD/40/13	Risk Register 2013/14	20 June 2014

Audit Committee	AUD/44/13	Risk Register 2013/14	26 September 2014
Audit Committee	AUD/46/14	Risk Register 2013/14	27 February 2014
Audit Committee	AUD/50/14	Risk Register 2014/15	19 June 2014
Audit Committee	AUD/54/14	Risk Register 2014/15	25 September 2014
Audit Committee	AUD/57/15	Risk Register 2014/15	26 February 2015
Audit Committee	AUD/59/15	Risk Register 2015/16	25 June 2015
Audit Committee	AUD/63/15	Risk Register 2015/16	24 September 2015
Audit Committee	AUD/66/16	Risk Register 2015/16	25 February 2016
Audit Committee	AUD/70/16	Risk Register 2016/17	16 June 2016
Authority	A/4228/16	Outcome of the Ice Centre Feasibility Exercise and Proposed Next Steps	16 June 2016
Audit Committee	AUD/72/16	Risk Register 2016/17	22 September 2016
Authority	A/4237/17	Corporate Land & Property Strategy	19 January 2017

**APPENDICES ATTACHED**

Appendix A	Risk Register Definitions and Scoring Criteria
Appendix B	Corporate Risk Register – Authority

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## Definitions

The following key terms are used within the Risk Register

**Risk** = an event or action which may adversely (or positively e.g. the winning or losing of contracts) affect the Trust's ability to maximise stakeholder value and to achieve its objectives, or limit its ability to exploit opportunities.

Risk is an inevitable part of everyday business and cannot be eliminated, but it can be managed.

**Risk Management** = the planned and systematic approach to the identification, evaluation and economic management of the risks associated with the Trust activities.

**Inherent Risk** = the risk exposure (likelihood x impact), assuming that nothing is done to manage it.

**Likelihood** = the estimated chance of a risk being realised.

**Impact** = the potential consequences if a risk is realised.

**Control** = an action taken to help manage a risk, either reducing the likelihood or the impact, or both.

**Residual Risk** = the risk exposure (likelihood x impact), taking into account the steps already being taken to manage it.

**Dealing with the risk** = treating, transferring, terminating or tolerating

**Treat** Controls are put in place to help reduce the likelihood of a risk being realised.

**Transfer** Action is taken to transfer the potential impact to another party, e.g. through an insurance arrangement.

**Terminate** A decision is made to end the area of activity with which the activity is associated.

**Tolerate** A decision is made to accept the current level of exposure without taking any further action.

**Further Action** = the further steps to be taken to reduce the residual risk exposure to an acceptable level.

**Deadline for Completion of Actions** = Final date when action should be completed by.

**Officer Responsible** = a senior officer responsible for managing the risk indicated by their post title eg, CEO (Chief Executive Officer), DCS (Director of Corporate Services), DFR (Director of Finance & Resources), HP (Head of Parklands), HC (Head of Communications), HSL (Head of Sport & Leisure) and AMPD (Section Manager Asset Management, Protection & Development).

**Assurance** = information which provides a view on the extent to which a risk is being managed in the way envisaged and hence on whether the actual residual risk exposure is consistent with that which it is believed to be.

**Comments** = Officer comments updating against progress against the action and the deadline.

**Risk Appetite and Scoring Criteria**

Risks are 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								

Each risk is scored on the basis of the following criteria for impact and likelihood, both for inherent and residual risk. This provides a visual indicator of the original level of risk and where it stands currently.

**Key**

Score 45-81 High Risk

Score 9-48 Moderate risk

Score 1- 18 Low risk



Whilst the assessment remains subjective, the following criteria serve as a guide and are used to help ensure consistency in scoring across each of the risks identified.



## Appendix A to Paper AUD/74/17

	<b>Impact</b>	<b>Likelihood</b>
<b>1</b>	No impact	<1% likely to occur in next 12 months
<b>2</b>	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
<b>3</b>	Financial loss between £1,000 and £5,000 or no impact outside single objective or no adverse publicity	5%-10% likely to occur in next 12 months
<b>4</b>	Financial loss between £5,000 and £20,000 or minor regulatory consequence or some impact on other objectives	10%-20% likely to occur in next 12 months
<b>5</b>	Financial loss between £20,000 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
<b>6</b>	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
<b>7</b>	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
<b>8</b>	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
<b>9</b>	Financial loss above £1 million or major impact at strategic level or closure/transfer of business	>80% likely to occur in next 12 months

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**AUTHORITY STRATEGIC RISK REGISTER AS AT 23 FEBRUARY 2017**

**Appendix B to Paper AJUD/74/17**

Risk ID	Risk Name	Inherent Risk Score				Residual Risk Score				Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officers(s) Responsible	Source of Assurance	23/02/2017 Comments	22/09/2016 Comments
		Lead	Impact	Likelihood	Total Score	Impact	Likelihood	Total Score	Treat/Transfer/Terminate						
<b>SR1</b>	<b>Legal</b>														
	Failure to comply with the 1966 Park Act and other statutory requirements.	DCS	8	7	56	6	1	6	↑ ↓	Continue Induction Process and monitoring of statutory changes	Quarterly	DCS	External Audit Internal Audit Senior Management	On-going Monitoring	On-going Monitoring
	Failure to comply with Health & Safety legislation	DFR	9	6	54	7	2	14	↔	Annual Internal Audit & H7S Audit Plans delivered.	31/03/2017	DFR	Senior management Members	2016/17 Work site inspections complete. Annual Audits near completion.	2016/17 Work site inspections plus annual audits
<b>SR2</b>	<b>Contractual</b>														
	Agreeing to accept a partners' financial terms and conditions that will place an unacceptable long term contingent liability on the Authority	DFR	9	4	36	8	2	16	↔	Ongoing resources review for specific projects	Quarterly	DCS/DFR	Internal Audit/ External Audit	No new agreements. Monitor re major projects eg Ice Centre Development	No new agreements. Monitor re major projects eg Ice Centre Development
	Contractors, Governing Bodies, or Trust not delivering agreed objectives	DFR	7	6	42	6	2	12	↔	Quarterly Contract monitoring.	Executive Quarterly Monitoring	HSL	Senior Management and Members	Quarter 1 & 2 Monitoring presented to Executive Scrutiny Members. Q3 presented today	1st Quarter Monitoring presented to Executive Scrutiny Members

**AUTHORITY STRATEGIC RISK REGISTER AS AT 23 FEBRUARY 2017**

Appendix B to Paper AUD/74/17

Risk ID	Risk Name	Inherent Risk Score			Residual Risk Score			Tolerate/Transfer/Treat/Terminate (if Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion of Actions	Officer(s) Responsible	Source of Assurance	23/02/2017 Comments	22/09/2016 Comments		
		Lead	Impact	Likelihood	Total Score	Impact	Likelihood								Total Score	
	Failure to deliver the LVRPA management contract to the required specification including breach in SE Funding Agreements LVMWC, VelloPark, LVH+TC	DFR	9	4	36	6	2	12	⇄	Tolerate	No further action	Executive Quarterly Monitoring	HSL	Senior management Internal Audit	Quarter 1 & 2 Monitoring presented to Executive Scrutiny Members. Q3 presented today. Sport England Q2 reports sent to SE.	1st Quarter Monitoring presented to Executive Scrutiny 21/7/2016 and sent to Members Sport England Q1 report sent to SE
	Management of Facilities Contracts	DCS	9	4	36	9	3	27	⇄	Treat	Ongoing Monitoring	Annual Inspection & Review.	AMPD	Internal Audit Senior Management	AMPD Undertake annual reviews of MPG's at venues to ensure compliance	AMPD Undertake annual reviews of MPG's at venues to ensure compliance
<b>SR 3</b>	<b>Resources</b>															
	I.T. infrastructure does not meet future business need requirements. Authority reduces or lacks funding for updating or improving I.T infrastructure	DFR	9	4	36	8	3	24	⇄	Treat	Budget resources review for new projects	01/04/2017	DFR	Senior Management Internal Audit/External Audit	First Draft strategy complete. Review by Authority & Trust senior management. Report to Members by June 2017	Strategy under review and built in as corporate objective in 2016-19 business plan. Report to Members by Dec 2016.



**AUTHORITY STRATEGIC RISK REGISTER AS AT 23 FEBRUARY 2017**

Risk ID / Risk Name		Inherent Risk Score			Residual Risk Score			Tolerate/Transfer/Treat/Terminate (if Treat, further actions needed)		Further Actions Needed to reduce Risk		Deadline for Completion of Actions		Officer(s) Responsible		Source of Assurance		Comments	
SR6	Reputation/Communication	Lead	Impact	Likelihood	Total Score	Existing Controls	Impact	Likelihood	Total Score	↑	↓	↔							
	Impact on Authority if Trust Venues do not have a strong reputation	HC	7	5	35	Managed via Contract Stakeholder updates Feedback/liaison with Trust	6	3	18	↑	↓	↔	Treat	Regular client meetings	Quarterly Monitoring Report	HC	Senior Management/ Members Stakeholder Perception KPI	Councillor engagement at London Councils Summit Nov 2016 - 100% awareness of park among delegates. New document distributed to delegates to highlight key achievements	New legacy report issued to stakeholders in August
	Reputational Enhancement or Damage due to success or failure of Olympics Legacy	CEO	8	5	40	Business plans Olympic Venues Working Relationship LLDC Third party working relationships across Olympic park	6	3	18	↑	↓	↔	Treat	Ongoing management and monitoring	Monthly	HC	Senior management Members	Continued media and stakeholder monitoring, plus close working with LLDC to maintain positive public messages.	Continued media and stakeholder monitoring, plus close working with LLDC to maintain positive public messages.
	Reputational Enhancement or Damage due to success or failure of stakeholder relationships	HC	9	3	27	Stakeholder Communications Planned Visits Speaker engagements existing media relations	6	3	18	↑	↓	↔	Treat	Ongoing engagement at local, regional and national level	Ongoing	HC	Senior management Members Stakeholder Perception KPI	Engagement Programme with stakeholders, including council leader and GLA member invites to schools festivals and stakeholders invites to major events	Engagement Programme with stakeholders, including council leader and GLA member invites to schools festivals and stakeholders invites to major events









		Inherent Risk Score			Residual Risk Score			Tolerate/Transfer/Treat/Terminate (if Treat, further actions needed)		Further Actions Needed to reduce Risk		Deadline for Completion Actions		Officer(s) Responsible		Source of Assurance		Comments	
Risk ID	Risk Name	Lead	Impact	Likelihood	Total Score	Existing Controls	Impact	Likelihood	Total Score	Progress	Direction	Progress	Direction	Officer(s)	Source of Assurance	Comments	Comments	Comments	
<b>SR 9</b>	<b>Major Development - Ice Centre</b>																		
	Failure in Strategic Risks 1-8 above in the development of the Ice Centre circa £30m project	CEO	9	8	72	Legal Advice Prudential Code Feasibility Studies Member Steering Group Existing PR/Comms Feasibility budget Working with LB Waltham Forest Planning Advice	7	7	49	Business Plan Tender for Design Team Engagement stakeholders, users and local community	31/03/2017	HSL	Senior management Members External Consultants	Senior management Members External Consultants	Contract in place as of 16th January 2017. Contract covers stages 0-7 but at this point only stages 0-2 are funded. Paper will be presented to Members in July 2017 on findings and recommendations.	Paper A/4228/16 approved Lea Bridge Road as preferred site & next phase of project re design and capital funding model Tenders being assessed re project management & design team.			
<b>SR 10</b>	<b>Property Strategy</b>																		
	Implications of Implementing Land & Property Strategy	DCS	8	6	48	Legal Advice Park Act L&P Strategy	8	6	48	Seek External Advice incl. Planning Context. Identify Resources Members Decision. Ongoing Monitoring. Consultation	31/03/2018	HoP	Senior management Members External Consultants	Senior management Members External Consultants	New Risk Identified				
	Purchases	DCS	8	6	48	Legal Advice Park Act L&P Strategy	8	6	48	Seek External Advice incl. Planning Context. Members Decision. Consultation	31/03/2018	HoP	Senior management Members External Consultants	Senior management Members External Consultants	New Risk Identified				
	Disposals	DCS	8	7	56	Legal Advice Park Act L&P Strategy	8	7	56	Seek External Advice incl. Planning Context. Members Decision. Consultation	31/03/2018	HoP	Senior management Members External Consultants	Senior management Members External Consultants	New Risk Identified				

Score 45-81 High Risk  
Score 19-48 Moderate risk  
Score 1-18 Low risk



504

Progress in a positive direction ie reducing the risk  
Progress is negative and risk is getting worse.  
Progress static subject to archive or as risk is 'maintained'