



# Risk Management

## Peak District National Park Authority

### Internal Audit Report 2015/16

Business Unit: Policy and Partnership  
Responsible Officer: Assistant Director – Policy and Partnership  
Service Manager: Senior Performance Officer  
Date Issued: 01 February 2016  
Status: Final  
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	P1	P2	P3
<b>Actions</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Overall Audit Opinion</b>	High Assurance		

# Summary and Overall Conclusions

## Introduction

The Authority's risk management policy supports one of the core principles in the Authority's Code of Corporate Governance of 'Taking informed and transparent decisions which are subject to effective scrutiny and managing risk'.

The risk management policy states that the Authority will use risk management to achieve its objectives through pro-actively managing its exposure to risk.

It will seek to recognise risk and mitigate the adverse consequences but recognises that, in pursuit of its vision and objectives, it may choose to accept an increased degree of risk in certain circumstances.

It will do so, subject always to ensuring that the potential benefits and risks are fully understood before developments are authorised, and that sensible measures to mitigate risk are established.

## Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system will ensure that:

- significant risks are identified and addressed
- actions are carried out in a timely manner, ensuring risks are mitigated
- the requirements of the risk management policy are followed

## Key Findings

The risk management arrangements within the Authority were found to be very good. For the service risk registers, risks are added or removed as appropriate, and improvement actions to address risks are monitored with their Director through the Quarterly Performance Outturn Meeting. This allows any emerging significant risks to be escalated to the Corporate Risk Register during the year. The corporate risk register is reviewed at SMT and the Audit, Resources and Performance meetings. Emerging risks are reviewed and added as required, whilst current risks are assessed to determine whether the level of risk has been managed down sufficiently to remove the risk from the register.

All risks on the corporate and service risk registers have a date for action. They also include a quarterly update column where progress against the action is recorded.

Where a target date is not met the date is changed on the risk register but the change can be seen from the quarterly monitoring.

From review of both the corporate and service risk registers, all risks are allocated to an officer who is identified by initials - it may be useful to use job titles instead, as this makes it easier for new staff to identify responsibilities when someone leaves.

One area of weakness relates to scoring of risks - currently the guidance allows risks with the same numerical score to be categorised differently, depending on whether the impact or likelihood has a higher score.

## **Overall Conclusions**

It was found that the arrangements for managing risk were very good. An effective control environment appears to be in operation. Our overall opinion of the controls within the system at the time of the audit was that they provided **High Assurance**.

# 1 Weighting of Risk Scores

## Issue/Control Weakness

Risks with the same score are categorised differently

## Risk

Risks are not mitigated appropriately

## Findings

There is a methodology for scoring risks, which uses a 3x3 grid to plot risks. There is guidance on what constitutes low, medium and high likelihood and impact and risks are given a score by multiplying impact by likelihood in order to create a score between 1 and 9, However risks are also given a colour coded category, (green, amber and red) and risks with the same number score may have a different risk category (i.e. one risk scores 3 and is green but another scores 3 but is amber dependent on whether the impact or likelihood is the higher score).

It is agreed that high impact/low likelihood should normally be higher priority than low impact/high likelihood, so therefore it is confusing for them to have the same score. The previous audit recommended consideration of changing to a 5x5 grid which would give more scope for scoring, however this was discussed at SMT and a decision was made to retain the 3x3 grid.

In order to clarify the priority of risks, consideration could be given to either scoring each risk according to its priority (i.e. the lowest priority risk scores 1, the highest scores 9 etc.) or purely using the colours and not having a score at all in order to remove confusion.

## Agreed Action 1.1

The Senior Performance Officer will take a paper to Strategic Management Team (in April) proposing that the scores are removed from the risk scoring grid. Over recent years, the risk management process has, anyway, moved away from the use of the number scoring in favour of RAG rated High/ Medium/ Low. The paper will also provide the pros and cons of the continued use of the 3x3 grid versus moving to a 5x5 grid, for consideration.

The risk policy will be updated as necessary and taken to ARP for approval (September ).

**Priority**

3

**Responsible Officer**

Senior Performance Officer

**Timescale**

30 September 2016

# Audit Opinions and Priorities for Actions

## Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

## Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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