Appendix 3

Risk Management

Peak District National Park Authority

Internal Audit Report 2021/22

Responsible Officer: Head of Information and Performance Management
Service Manager: Senior Strategy Officer – Research
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	P1	P2	P3
Actions	**0**	**1**	**2**
Overall Audit Opinion	Reasonable Assurance		

Summary and Overall Conclusions

Introduction

Embedded and effective risk management are key to help deliver successful decision-making. Risk management is an essential component of good governance and has the potential to make a significant contribution to the achievement of strategic objectives. At the Peak District National Park Authority (PDNPA), risk management processes contributes to the fourth outcome in the corporate strategy: 'The PDNPA is an agile and efficient organisation'.

A Risk Management policy is in place to promote proactive management of exposure to risk and ensure mitigating actions are appropriately implemented to maintain and improve performance. The policy recognises that in pursuit of its vision and objectives, the Authority 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.

A corporate risk register is maintained at the Authority. The corporate register is agreed annually and updated every quarter. Updates are reported in full bi-annually to Senior Management and Members and exceptions are reported at the other two quarters. Service level risk registers are also updated quarterly and overseen by Heads of Service.

Objectives and Scope of the Audit

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

- Appropriate governance arrangements are in place to oversee risk management.
- Effective processes are in place to identify, measure and assess risks.
- Comprehensive risk registers are in place and reviewed consistently.
- Actions to reduce and mitigate risks are clearly assigned to responsible officers and progress is monitored.

Key Findings

The risk management process at PDNPA has been recently updated and both Corporate and Service level risk registers are updated in full in Q2 and Q4. For Q1 and Q3, exception reporting is done via the Chief Executives update if any significant changes have occurred. Appropriate governance arrangements were found to be place to oversee all registers. The Corporate register was approved in Q4 2020/21 and we found it has been appropriately reported in line with established processes.

Service risk registers were also found to have been reviewed and updated appropriately. Heads of Service are responsible for updating their service risk register regularly and providing full updates every 6 months. Regular meetings are held to review identified risks and determine if significant risks should be included on the Corporate register.

The Authority has an up to date Risk Management Policy in place which includes the Authority's underlying approach to risk management, its risk appetite and roles and responsibilities. There is further guidance on scoring identified risks and guidance on defining likelihood and impact. The Corporate risk register as at Q1 2021/22 currently contains 15 strategic risks. There are 11 Service area risk registers also in place.

Identified risks are currently scored before mitigation and with mitigating actions in place on Corporate and service registers, but there is no target risk score for after planned actions have been implemented. On both the Corporate and Service risk registers, we identified risks that did not have a reduction between the inherent (pre control) and residual (post control) risk scores. On 3 of the Service registers, we also found risks that had a higher residual score allocated. This suggests the mitigating controls in place do not reduce or increase the likelihood of the risk occurring or the impact if it did occur. Risk scores should decrease with mitigating controls in place.

A 3 x 3 scoring matrix is currently used at the Authority to score risks based on their likelihood and impact. This is a relatively small risk matrix and best practice guidelines usually recommend use of a 5 x 5 risk matrix. The Authority should consider implementation of a 5 x 5 matrix as this would allow for more movement of risk scores to show the impact of mitigating controls and actions. The Corporate register includes the individual impact and likelihood score for each risk. However, this was not done consistently on Service risk registers and due to this, we were unable to determine in most instances if mitigating actions and controls and reduced Service level risk scores.

Risk registers should clearly highlight controls that are planned to further manage an identified risk. Each risk on both the Corporate and Service register has a 'quarterly update' to provide a summary of the risk's current position and these have been updated consistently. However, most mitigating actions did not have a specific timescale for implementation in place. 7 Corporate risks did not have a specific deadline for their corresponding action plans and most due dates were recorded as 'ongoing'.

A Corporate risk scored as red with target dates for agreed actions in place was reviewed. Our review of historic registers from 2020/21 found these due dates and actions have not changed since Q2 2020/21. Quarterly updates have been provided but this has not affected the mitigating actions or timescales. There are some risks on the corporate register scored as red or amber which would require further mitigation within a targeted deadline, in line with the Authority's scoring matrix. Due to the lack of deadlines for actions and numerical risk scoring, we were unable to determine if actions sufficiently mitigated risks and if they had been implemented appropriately.

Overall Conclusions

There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Reasonable Assurance.

1 Action monitoring

Issue/Control Weakness	Risk
Issues with the quality and appropriateness of action plans in place to mitigate risks. Actions are not routinely monitored and updated.	Ineffective monitoring of progress towards reducing or removing risks. Action plans do not effectively reduce or manage risks leading to risk events occurring.

Findings

Risk registers should clearly highlight controls that are planned to further manage identified risks to within risk appetite. At PDNPA, actions are in place for both Corporate and Service level risks. However, our review of action plans in place on all risk registers suggest recording and monitoring of mitigating actions could be improved.

Service risk registers and corresponding action plans highlighted inconsistent approaches to identifying actions. Some registers 'mitigating actions' appeared to be existing controls that are already in place rather than proposed actions to reduce risks. This included risks scored as red and amber where further management is required. Timescales for implementing actions was consistently recorded as ‘ongoing’ across numerous registers for amber or red risks that would require further reduction. In some Service areas, we saw examples of actions and timescales for implementation being recorded appropriately.

Similar issues were identified on the Corporate register and 7/12 Corporate risks did not have specific timescale in place for implementing agreed actions. The timescales for these actions were also recorded as ‘ongoing’ or ‘periodic assessment’. For the 3 highest rated risks, all with a red score, only 1 had an action with a due date of Q1. The red rated risk with target dates in place for Q1-Q4, 'gross income targets', was reviewed. Our review of registers for 2020/21 show that these targets and due dates have not changed since Q2 2020/21. Quarterly updates were provided but do not appear to have changed the mitigating actions or timescales.

As the majority of the risks and corresponding action plans did not contain specific dates for actions to be completed, we were unable to confirm if actions have been completed appropriately though updates are provided in most instances in the ‘quarterly updates section’. Risk reporting should clearly and accurately record when actions are due and when they are completed. Actions should be planned activities and tasks to be implemented in order to further mitigate the risk. When actions have not been completed, this should be clear with an explanation for the delay and a new due date provided. It is accepted that some risks cannot be mitigated to be within appetite, if the nature of the risk means uncertainty is expected but this should also be clearly recorded.

Agreed Action 1.1

Ensure that actions and timescales for implementation are recorded appropriately on both the corporate and service risk registers. More specifically, this is as follows;	**Priority**	2
	Responsible Officer	Head of Information &

• Mitigating actions are not just existing controls, but are proposed actions to reduce risks (unless nothing further can be done to reduce the risk, in which case this will be clearly recorded as such). • Timescales for implementing actions are not recorded as 'ongoing', but are time specific. • Mitigating actions and timescales are consistently updated at quarterly updates. • We record when actions have been completed and, where actions have not been completed, that we make this clear alongside an explanation, a new timescale and any further actions required.		Performance Management
	Timescale	31 March 2023

2 Risk Measurement

Issue/Control Weakness	Risk
Risks appear to have been scored inappropriately on the Corporate and Service risk registers. Due to the current format of the risk matrix, we were unable to determine if risks had been mitigated appropriately.	A lack of consistent procedures and understanding of risk management across the Authority may lead to risks being managed ineffectively.

Findings

Corporate and Service risk registers are in place at PDNPA and updated on a quarterly basis. Identified risks are currently scored twice on both these registers; before mitigation and with mitigating actions in place. Our review of the Q4 2020/21 registers identified areas for improvement in the risk analysis and evaluation process that suggest understanding of risk scoring could be improved.

The risk matrix currently used at the Authority does not have numerical scores allocated to each score, but scores likelihood and impact as High Medium or Low. All risks on the Corporate register and some risks on Service registers do include the individual likelihood and impact scores. This makes it clear which cell a risk falls into on the risk matrix. However, some risks on service registers only include the overall risk score. Green and amber both cover 4 cells within the risk matrix and due to this we were unable to determine in the majority of instances if the mitigating actions had reduced the risk score on Service risk registers. For example a risk may be an amber (manage and monitor) risk that has been managed to an amber (management effort worthwhile) risk after mitigation, but this is not clear from the service risk register as the 2 scores appear only as amber.

A 3 x 3 scoring matrix is currently used at the Authority to score the likelihood of risks occurring and their impact if they do occur. As this is a relatively small matrix, it may be challenging to mitigate the risk enough to lower the risk score category. It may be beneficial for the Authority to use a 5 x 5 matrix, which is commonly used in best practice guidelines. This would make the impact of mitigating controls and actions clearer on the overall risk score as reductions in likelihood and impact would be more evident.

The Corporate risk register contained 5 risks with no reduction between the inherent (pre control) and residual (post control) risk scores. Similar issues were found in the Service registers, 2 of which were found to have risks with a red 'high' score allocated for both the inherent and residual scores. A further 3 registers contained risks whose scores have increased between the inherent and residual scores. This scoring suggests the mitigating controls in place do not have any significant effect on the likelihood of the risk occurring and/or the impact if it did occur. Risk scores should decrease with mitigating controls in place, so this suggests either the scoring is incorrect or highlights the issues with a 3 x 3 Matrix.

On 7 of the service risk registers, green risks were recorded. As above due to the lack of numerical scores, we were unable to determine if these had been reduced significantly and were 'accepted' or if they were accepted but still required monitoring as stipulated on the risk matrix.

Agreed Action 2.1		
Ensure that assessment of likelihood and impact are clearly recorded on both the corporate and service risk registers so that any reduction in risk before and post mitigation are visible. At the moment, the risk rating is written in the column 'risk before mitigation' and then shown as a colour in 'risk rating with mitigating action'. We will change the latter column so the likelihood and impact are written in the same format as the 'risk rating before mitigation', so it provides more detail than just the colour.	**Priority**	3
	Responsible Officer	Head of Information & Performance Management
	Timescale	31 March 2023

3 Best practice elements

Issue/Control Weakness	Risk
Elements recommended by best practice guidelines from the Institute of Risk Management (IRM) are not currently included in the Authority's risk management process.	Processes are not in line with best practice guidance. Ineffective procedures may lead to risks being managed unsuccessfully.

Findings

The IRM recommends a number of best practice elements to be included in risk management processes to promote efficient and effective practices. At PDNPA, a Risk Management Policy is in place and is up to date, having last been updated in May 2021. The policy contains the majority of recommended best practice areas, however there are two key elements not currently used at the Authority that would further improve arrangements.

Best practice recommends 3 scores to be considered and allocated for each risk; inherent, residual and target. The target risk score is not currently allocated in the PDNPA risk analysis process. The target score represents the score that will be allocated once mitigating action plans have been successfully implemented. Target risk scores highlight to Management and Members how actions will reduce the risk to within appetite or conversely, if all reasonable actions have been taken the target score will show that the risk has been tolerated.

Guidelines are in place to promote consistent scoring of risks based on their likelihood and impact and a 3 x 3 scoring matrix is in place. Each box on the risk matrix represents the combination of the likelihood of the risk occurring and the impact, and it is common for each box to be assigned a numerical value. However, numerical values are not assigned on the PDNPA risk matrix which relies on the use of high, medium or low scores currently. As highlighted, we saw Service level risks with two 'amber' scores and were unable to determine if these had been reduced or remained the same as they did not include individual impact and likelihood scores. Though the risk matrix is sufficient, allocating these numbers may provide clarity when scoring and monitoring identified risks, as highlighted in Finding 2.

In addition, the Authority may consider implementation of a 5 x 5 matrix to develop risk scoring and clearly show the effect of mitigating actions. It is possible identified risks could be significantly reduced once mitigating actions have been implemented, but this would not be reflected in the risk score due to the relatively small matrix. Significant effort, which may not be possible or cost effective, may currently be needed to move the risks score on the current matrix.

The format of the register could also be revised to improve clarity. The current layout may not facilitate effective scoring, as the pre control score is recorded after the existing controls. A more effective format would be to use the order inherent score, existing controls, residual score, planned controls/actions, target score.

Agreed Action 3.1		
We will assess the impact of action 2.1 before reviewing the risk matrix further either by way of any changes to score risk or change to a 5 x 5 matrix. Due to the nature of risks that the Authority has, we will initially assess the reduction in risk from the risk rating before mitigation and after additional mitigating actions are taken account of.	**Priority**	3
	Responsible Officer	Head of Information & Performance Management
	Timescale	31 March 2023

Audit Opinions and Priorities for Actions

Audit Opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

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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