



Partnership Management Board
29th June 2011

Partnership Risk Management;
report of the Head of Partnership

Purpose of the report:

This report is to advise members of the arrangements for Risk Management within the Partnership.

- 1) The Partnership was formed under the provisions of the 1972 Local Government Act, and is a joint committee delivering internal audit services to the Partner Councils.
- 2) There is a requirement from the Audit Commission, as we are classed as a 'smaller body' to complete an Annual Return, and this return has to be discussed by the Board with the governance component signed off by the Board. That governance component includes an expectation that the Partnership has its own Risk Management process. The Partnership also prepares a separate AGS which is a formal document extending the governance component of the Annual Return.
- 3) In the Annual Return there is also an Internal Audit component, which will be completed by our internal auditors (Veritau). Part of the work done by the internal auditors is to examine the Partnership's risk management arrangements, and therefore we need to maintain some formal mechanism to record and monitor our perceived risks.
- 4) This report sets out the risk management framework, and the risk register (attached as appendix 1), which identifies our principal risks and any steps that are being taken to manage those risks.
- 5) As a framework we have adopted the format that is broadly consistent with the style used for Risk Management across the councils. In essence the process is to identify material risks to the achievement of the partnerships objectives, what the consequences would be if the risk materialises, and what steps, or mitigation, is in place now, and planned to reduce that risk, either the likelihood, or the impact, or both.

- 6) Risk is usually measured on a scale to identify the likelihood of the risk occurring and the impact to the organisation if it does so. The matrix included shows the standard 5 x 5 table, and the associated descriptors.

Impact	5					
	4					
	3					
	2					
	1					
		A	B	C	D	E
	Likelihood					

Likelihood:
 A = Very Low
 B = Not Likely
 C = Likely
 D = Very Likely
 E = Almost Certain

Impact;
 1 = Low
 2 = Minor
 3 = Medium
 4 = Major
 5 = Disaster

- 7) It is difficult to associate values with the impact scale, but given that the total turnover of the Partnership is around £500,000 that gives some reference to the scales.
- 8) The risk register has been drawn up and moderated subsequent to a series of discussions with the Audit Managers to ascertain their view of the risks that have been identified.
- 9) At the end of the register is a copy of the scoring matrix showing where each risk is placed in the table.

Recommendation

It is recommended

- 1) That the Risk Management framework and risk register be approved.

Risk Register: reviewed June 2011

No.	Risk	Consequences	Current Risk Score (Former scores)	Mitigation <i>(Italicised items are actions to undertake.)</i> (✓ means the action has been undertaken)	Target Score/ Action Plan	By whom
1	Failure to recruit and retain appropriate staff. (Not making the best of staff)	<ul style="list-style-type: none"> • Turnover of staff may result in unprofessional service • Low staff morale • Failure to meet obligations or objectives/targets • Partnership (Council) not recognised as a good employer • Qualified and experienced staff do not wish to work for NYAP 	A2 (B3) (C3)	<ul style="list-style-type: none"> • Remuneration package need to be in line with market trends • Flexible HR policies including the promotion of work/life balance • Regular team meetings and systems to inform the staff. • Performance Management used to identify training and development needs to further develop staff. ✓ • Ensure that there is sufficient staff at each level, taking cognisance of the changes arising from the revised structure of the Partnership. ✓ • Prepare for known retirements, and probable departures in 2010/2011; and at the end of the current Partnership Agreement, dependent upon the final decision on the future of NYAP (2012 potential merger with Veritau and other options). ✓ • No further action required at this time. ✓ 	A2	PMB; HoP; Dir
2	Risk of loss of <ul style="list-style-type: none"> • Head of Partnership; • Audit Managers, & • key staff, Either permanently or	<ul style="list-style-type: none"> • Head of Partnership not professionally qualified. (Cipfa CoP) • Loss of key component in service (e.g. ICT Audit, access control at SBC) 	E3 (B2) (B3) (B3)	<ul style="list-style-type: none"> • Training programme for all staff. • Succession planning [HoP will be 60 in June 2011] ~ options now under consideration ✓ • Contingency planning ~ done so far as is required: no longer applicable ✓ • Issue will be resolved, assuming that Councils approve the merger of NYAP into Veritau effective 1/4/2012 immediately following the end 	B2	PMB; Dir; HoP

No.	Risk	Consequences	Current Risk Score (Former scores)	Mitigation <i>(Italicised items are actions to undertake.)</i> (✓ means the action has been undertaken)	Target Score/ Action Plan	By whom
	long term absence. <u>See risk 15 also</u>		(C3)	of the present Partnership Agreement which is 31/3/2012. ✓ • No further action required at this time, await decision on the future of NYAP and Internal Audit at the Partner Councils. ✓		
3	Risk deleted	•		•		
4	Health & Safety legislation and issues associated with diverse sites and staff. Small size may lead to demand for lone working.	<ul style="list-style-type: none"> • Injury, • vehicle accident or breakdown etc • Staff 'stuck' without adequate support. • Possible low staff morale • Failure to meet statutory obligations. 	B3 (B3) (B3)	<ul style="list-style-type: none"> • Take account of staff working arrangements and review & monitor H&S aspects for all sites ✓ • Ensure staff are aware of personal responsibility, and have sufficient awareness training. ✓ • Ensure staff have access to mobile phones ✓ • Minimise travelling where practicable. ~ Difficult with shared service across several councils, action is to minimise unnecessary travel. ✓ • <i>Use video conferencing where available and possible. ~ still in its infancy. Need to push on with this option to minimise risk & optimise time.</i> 	A3	HoP AM AM AM
5	Failure to achieve satisfactory completion rates for audit plans.	<ul style="list-style-type: none"> • Poor image at partner councils • Risk of adverse comment from external auditors to partner councils. 	A1 (B2) (B2)	<ul style="list-style-type: none"> • Relevant training is made available to all staff ✓ • Briefings for staff on progress against plans ✓ • Audit Managers undertake 1-2-1's with staff. ✓ • Ensure that requests for supplementary work are taken into audit planning and that the core business is not reduced. • Need to monitor and manage the increasing demands from the partner council's external auditors. ✓ ~ established good links with the external auditors. ✓ 	A1	HoP AM

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6	Risk deleted	•		•		
7	Risk deleted	•		•		
8	Increased joint working by partner councils leads to reduced audit plans. N.B. Changes in policy too, move to Commissioning ethos, which may also lead to reduced audit plans. Change in Government and their cuts to LG spending will also change the demand for IA.	<ul style="list-style-type: none"> • Risk of surplus staff, and so redundancy. • Most able staff may leave. 	B2 (C3) (C3)	<ul style="list-style-type: none"> • Keep staff informed. ✓ • Monitor demand, and ensure natural wastage is used to avoid redundancy. ✓ Workforce planning is intrinsic to the operation, especially with a small team. ✓ • <i>Monitor the national and local situation.</i> • With the reductions in IA service required by Clients, review workforce and re-structure to reflect reduced demand, ✓ • Ensure that IA is active in the Partner Councils debate on changes in service provision and delivery. ✓ • Engage with senior management team(s) to ensure they understand the role that IA can provide in the current economically stringent atmosphere. ✓ • No further action required at this time. ✓ 	B2	Dir; HoP
9	Not maintaining development of risk management may lead to the role being allocated elsewhere.	<ul style="list-style-type: none"> • Reduced demand for IA services • Reduction in staff. 	B2 (C3)	<ul style="list-style-type: none"> • Ensure that Risk Management is seen as a natural aspect of the Partnership's portfolio. ✓ • Take an active role in each council. [Of the Partners, SBC is most likely to move the work elsewhere.] ✓ • Ensure continuing involvement with those councils that are moving to proprietary software. ✓ • It is increasing evident that Risk Management (facilitation) will migrate to the Councils as they 	B2	HoP AM

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				<p>introduce and embed Performance (& Risk) Management software. IA role will therefore need to change to more conventional auditing of the risk management system and process. We are now incorporating these changes into the Council IA plans ✓</p> <ul style="list-style-type: none"> No further action required at this time. ✓ 		
10	Confidentiality of work may be compromised by the use of open plan offices	<ul style="list-style-type: none"> Relevant at Ryedale & Richmondshire only Now also at Selby DC from August 2011. Loss of information NYAP reputation as secure confidant may be damaged. 	A2 (A2)	<ul style="list-style-type: none"> Ensure staff are aware of issue and that where necessary, confidential work is undertaken in suitable locations. <i>Discuss with Selby Council client this issue in respect of their forthcoming move into new open plan premise. No fully satisfactory outcome; still being required to work 'open plan' ~ will try to use the external audit office as much as possible.</i> 	A2	HoP AM
11	Loss of ICT systems, and data from USB 'sticks'	<ul style="list-style-type: none"> Loss of information and work leading to audit reports. Exposure of confidential and sensitive information. 	A2 (A2)	<ul style="list-style-type: none"> Systems are all linked into the systems of the 'host' council, so reliance is on their systems for back up and recovery. These are subject to audit by the ICT auditor. Staff need to be aware of risks associated with Data storage media (USB sticks) and vigilant that they are protected. ✓ ~ Encrypted 'sticks' are now available and in use. ✓ Risk from Data Sticks is now minimised. ✓ No further action required at this time. ✓ 	A2	HoP AM Team
12	Risk that the increased size may lead to a bid from the private sector for the	<ul style="list-style-type: none"> Loss of direct control by the Partner Councils, as it will move to a contracting arrangement (& 	A2 (B3) (C4)	<ul style="list-style-type: none"> Consider future possible option of joining with Veritau (the City/County Audit Partnership) [N.B. However this may make an even more attractive package]. ✓ This is now being considered for the Partnership. ✓ 	A1 (A3)	Dir HoP AM

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	partnership.	therefore subject to EU procurement rules).		<ul style="list-style-type: none"> • Ensure 'decision makers' are kept informed. ✓ • Ensure good quality IA service ✓ • The potential merger with Veritau, if concluded will move this risk into the Veritau risk register. Low risk, given current business strategy and philosophical approach of Veritau. ✓ • The implementation plan envisages a company approach that will allow the District Councils a full voice within the Veritau 'family'. ✓ • Also the Veritau contract term is longer thus reducing the immediate risk, but the expanded IA service of CoYC, NYCC, and 5 DC may attract predatory attention, ultimately. ✓ 		
13	Risk that the Board will not agree a 'proper' charging mechanism and charge out rate.	<ul style="list-style-type: none"> • Impossible to meet so imposed efficiency and performance • Therefore unlikely to meet financial targets. • May adversely affects motivation of Audit Managers, and staff. • Arrangement almost certain to cause a deficit in the accounts, which could lead to inter-partner tension. 	D3 (D4) (D4)	<ul style="list-style-type: none"> • <i>Set a proper and fair rate which will deliver reasonable outcomes, both performance and financial. ~ The argument has not been won.</i> • Directors need to understand and accept (and the PMB approve) that it is not realistically possible to increase productivity and so performance any further. Secondly that as the partnership's cost base is virtually all payroll, any changes in pay have a direct linear relationship to the cost base. This is accepted. ✓ • <i>Good year in 2010/2011, albeit due to unusual circumstances will tend to make winning this argument tricky.</i> 	B2	PMB; Dir HoP
14	Risk that the Partnership will make a significant loss through	<ul style="list-style-type: none"> • Deficit will reduce Partnership reserves • Poor image within the partner Councils 	A1 (B2) (B3)	<ul style="list-style-type: none"> • Ensure reserves are considered when the budget and charge out rate is set. ✓ • Monitor service performance ✓ • Ensure any overruns are either managed or that 	A2	HoP PMB Dir

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	either an inadequate charge out rate or through poor performance	<ul style="list-style-type: none"> Reduced morale of staff who perceive the partnership as “their” business. 		<ul style="list-style-type: none"> clients agree to additional fees (or other audits deleted). ✓ <i>Good year in 2010/2011, albeit due to unusual circumstances will reduce this risk, as reserves at the maximum allowed.</i> ✓ No further action required at this time. ✓ 		
15	Risk of loss of staff through their external interests and activities.	<ul style="list-style-type: none"> We have staff who are individuals, and have what insurers may consider ‘risky’ activities. E.g. horse-riding; motorcycling; surfing. 	B3 (C3) (C2)	<ul style="list-style-type: none"> Discuss with staff and monitor level of risk ✓ Prepare contingency plans in case of long term ill health (accident) absence, or death. ✓ No further action required at this time. ✓ 	B2 (C2)	HoP Dir.
		<ul style="list-style-type: none"> 		<ul style="list-style-type: none"> 		

Key

PMB Partnership Management Board
Dir Directors (s.151 Officers)
HoP Head of Partnership
AM Audit Managers
Team all staff

Current risk scores mapped to scoring matrix

- Impact:
 1 = Low
 2 = Minor
 3 = Medium
 4 = Major
 5 = Disaster

- Likelihood:
 A = Very Low
 B = Not Likely
 C = Likely
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Impact	5					
	4					
	3		4,15		13	2,
	2	1,10, 11,12	8,9			
	1	5,14				
		A	B	C	D	E
Likelihood						