



Partnership Management Board
25th June 2010

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

No.	Risk	Consequences	Current Risk Score (Former scores)	Mitigation <i>(Italicised items are actions to undertake.)</i>	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 	<p style="text-align: center;">A2 (B3) (C3)</p>	<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. ✓ 	<p style="text-align: center;">A2</p>	<p style="text-align: center;">PMB; HoP; Dir</p>
2	Risk of loss of <ul style="list-style-type: none"> • Head of Partnership; • Audit Managers, & • key staff, either permanently or long term absence. 	<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) 	<p style="text-align: center;">B2 (B3) (B3) (C3)</p>	<ul style="list-style-type: none"> • Training programme for all staff. • Succession planning [HoP will be 60 in June 2011] ~ options now under consideration ✓ • <i>Contingency planning</i> 	<p style="text-align: center;">B2</p>	<p style="text-align: center;">PMB; Dir; HoP</p>

No.	Risk	Consequences	Current Risk Score (Former scores)	Mitigation <i>(Italicised items are actions to undertake.)</i>	Target Score/ Action Plan	By whom
4	<p>Health & Safety legislation and issues associated with diverse sites and staff.</p> <p>Small size may lead to demand for lone working.</p>	<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. 	<p>B3 (B3) (B3)</p>	<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.</i> 	<p>A3</p>	<p>HoP AM AM AM</p>
5	<p>Failure to achieve satisfactory completion rates for audit plans.</p>	<ul style="list-style-type: none"> Poor image at partner councils Risk of adverse comment from external auditors to partner councils. 	<p>B2 (B2)</p>	<ul style="list-style-type: none"> Relevant training is made available to all staff Briefings for staff on progress against plans 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. 	<p>A1</p>	<p>HoP AM</p>
8	<p>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</p>	<ul style="list-style-type: none"> Risk of surplus staff, and so redundancy. Most able staff may leave. 	<p>B2 (C3) (C3)</p>	<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> <i>Ensure that IA are active in the Partner Councils debate on changes in service provision and delivery.</i> 	<p>B2</p>	<p>Dir; HoP</p>

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	reduced audit plans. Change in Government and the perceived need to cut LG spend will also change the demand for IA.					
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. ✓ 	B2	HoP AM
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 • Loss of information • Reputation as secure confidant 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.</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. 	A2	HoP AM Team

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12	Risk that the increased size may lead to a bid from the private sector for the partnership.	<ul style="list-style-type: none"> Loss of direct control by the Partner Councils, as it will move to a contracting arrangement (& therefore subject to EU procurement rules). 	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. 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. 	A1 A3	Dir HoP AM
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 very unlikely to meet financial targets. 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. 	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> <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.</i> 	B2	PMB; Dir HoP
14	Risk that the Partnership will make a significant loss through either an inadequate charge out rate or	<ul style="list-style-type: none"> Deficit will reduce Partnership reserves Poor image within the partner Councils Reduced morale of staff who perceive the 	B2 (B3)	<ul style="list-style-type: none"> <i>Ensure reserves are considered when the budget and charge out rate is set.</i> Monitor service performance ✓ Ensure any overruns are either managed or that clients agree to additional fees (or other audits deleted)✓ 	A2	HoP PMB Dir

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	through poor performance	partnership as "their" business.				
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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
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- 3 = Medium
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Likelihood:

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Impact	5					
	4				13	
	3	4,				
	2	1,10, 11,12	2,5,8, 9,14			
	1					
		A	B	C	D	E
Likelihood						