

**CAIRNGORMS NATIONAL PARK AUTHORITY
AUDIT COMMITTEE**

FOR DISCUSSION

**Title: BALANCED SCORECARD: GOVERNANCE AND RISK
MANAGEMENT MEASURES**

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Purpose

To present the governance and risk management measures proposed for inclusion in the Authority's balanced scorecard model to the Committee for consideration, in order that members may consider the appropriateness of these measures in establishing a high level, summary view of the governance and risk management performance of the organisation.

Recommendations

Committee members are invited to consider whether:

- a) The five financial performance measures proposed at point 5 provide an appropriate set of measures on which to assess the financial performance of the Authority;
- b) Any areas of the Authority's financial activities are missed by these measures and therefore...;
- c) Any additional measures are required;
- d) Tolerance levels proposed in monitoring actual performance set acceptable levels of variation from targets.

Subject to comments on points a) to d) above, the Committee is requested to agree the governance and risk management performance measures proposed for inclusion in the Authority's balanced scorecard model

Executive Summary

Operational Plan Update reports for 2006/07 to the Board have indicated that the Management Team has been developing a "Balanced Scorecard" model to assess the organisation's health. It is intended that this will complement the quarterly review of Operational Plan activities by also presenting summary information on the Authority's financial performance; its staffing and recruitment position; management of strategic risks and governance measures; and progress made on delivering priority three-year Corporate Plan outcomes.

The purpose of this paper is to present the governance and risk management performance measures proposed for inclusion in the Authority's balanced scorecard model to the Committee for consideration.

Five governance and risk management indices are proposed to give a broad overview of the financial health of the organisation:

- a) Internal Control: No more than 2 outstanding, "high" priority actions highlighted by auditors;
- b) No recommendations for change arising from Standards Commission or Scottish Public Services Ombudsman;
- c) Health and Safety arrangements in place and working effectively (to be measured by accident and near-miss reporting and working days lost);
- d) Responses to all Freedom of Information requests are made within 20 days;
- e) No more than 3 complaints on CNPA services made and logged within a quarter;

The paper seeks the Committee's views on these measures proposed.

The development of a balanced scorecard approach also assists in embedding the Authority's risk management processes into our Operational Planning and Monitoring arrangements. Key aspects of the organisation's operations, governance and resourcing are highlighted. Any increased risk to delivery of organisational objectives through these essential components not falling within required tolerances are also exposed, requiring management to address and seek to remedy the situation.

BALANCED SCORECARD: GOVERNANCE AND RISK MANAGEMENT MEASURES - FOR DISCUSSION

Background

1. Operational Plan Update reports for 2006/07 to the Board have indicated that the Management Team has been developing a "Balanced Scorecard" model to assess the organisation's health. It is intended that this will complement the quarterly review of Operational Plan activities by also presenting summary information on the Authority's financial performance; its staffing and recruitment position; management of strategic risks and governance measures; and progress made on delivering priority three-year Corporate Plan outcomes.
2. It is also intended that the balanced scorecard model will help integrate the work of the Board's Committees within overall activity monitoring.
3. The purpose of this paper is to present the governance and risk management performance measures proposed for inclusion in the Authority's balanced scorecard model to the Committee for consideration, in order that members may consider the appropriateness of these measures in establishing a high level, summary view of the financial health of the organisation.
4. The Finance Committee has considered and approved the finance performance measures at its meeting on 1 December. Staffing and Recruitment Committee will similarly be requested to consider the indices relevant to HR operations.

Balanced Scorecard: Governance and Risk Management Measures

5. Five financial indices are proposed to give a broad overview of the financial health of the organisation:
 - a) Internal Control: No more than 2 outstanding, "high" priority actions highlighted by auditors;
 - b) No recommendations for change arising from Standards Commission or Scottish Public Services Ombudsman investigations;
 - c) Health and Safety arrangements in place and working effectively (to be measured by accident and near-miss reporting and working days lost);
 - d) Responses to all Freedom of Information requests are made within 20 days;
 - e) No more than 3 complaints on CNPA services made and logged within a quarter;
6. These indices are intended to present a combined, summary overview of the in-year governance and risk management monitoring undertaken by the Committee. The proposed measures are set out in Annex 1, together with the result of the assessment of performance against these measures over the last 9 months.
7. Tolerance levels have been suggested for each of these indices, and are shown in Annex 1. Tolerance levels are set to establish acceptable levels of variation from target

before the underlying position measured by each index requires to be highlighted to Management to address.

8. For example, in the case of maintaining a review of audit findings, only 2 outstanding “priority 1” recommendations are allowable before the balanced scorecard measure on internal control is highlighted as “amber” for management attention. Similarly, only 5 working days lost through work related accidents is allowable before highlighting Health and Safety control as an issue: this is intended to allow for a few days lost through minor accidents – e.g. twisted ankle while on a field inspection. No RIDDOR (Report of Injuries Diseases and Dangerous Occurrences Regulations 1995) reportable events are permitted or highlighting health and safety aspects of organisational delivery as at some increased risk.
9. It is not intended to use the balanced scorecard measures to replace any of the current information supplied to Committee. Rather, it is intended that the development of the balanced scorecard will provide a complimentary overview of the current operational health of the organisation for Board members, senior management and staff. Furthermore, as a standing item for the Committee to consider, it will provide a further, concise means of allowing officers to report key management data to members.
10. Through establishing the set of five governance and risk management measures proposed, it is intended that a relatively simple and clear overview of the monitoring process undertaken by the Audit Committee may be reviewed and agreed by the Committee and used for onward reporting to the full Board. This will again complement existing, more detailed information on Corporate and Operational Plan delivery.
11. Committee members are invited to consider whether:
 - a) The five governance and risk management performance measures proposed at point 5 provide an appropriate set of measures on which to assess the financial performance of the Authority;
 - b) Any areas of the Authority’s governance and risk management activities missed by these measures and therefore...;
 - c) Any additional measures are required;
 - d) Tolerance levels proposed in monitoring actual performance set acceptable levels of variation from targets.

Risk Management

12. The development of a balanced scorecard approach also assists in embedding the Authority's risk management processes into our Operational Planning and Monitoring arrangements. Key aspects of the organisation's operations, governance and resourcing are highlighted. Any increased risk to delivery of organisational objectives through these essential components not falling within required tolerances are also exposed, requiring management to address and seek to remedy the situation.
13. It is intended that the full balanced scorecard will be presented to the Board along with the quarter 3 Operational Plan monitoring report in February. Thereafter, it will be updated quarterly to provide an up to date overview of the Authority's operational health.
14. To illustrate the intended final presentation, the current balanced scorecard summary is set out at Annex 2 to this paper. Members are asked to note that this presentation is prior to consideration and agreement of the performance indicators for Human Resource Management by the Staffing and Recruitment Committee, while the final measures on Operational Plan Management have still to be agreed by Management Team for recommendation to the Board.

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5 December 2006

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