

CAIRNGORMS NATIONAL PARK AUTHORITY

Title: RISK MANAGEMENT STRATEGY

Prepared by: DAVID CAMERON, HEAD of CORPORATE SERVICES

Purpose

To update the Committee on progress on development of the Authority's Risk Register and Risk Management Strategy.

Recommendations

The Committee is asked to:

1. note that a risk management workshop was held in November, and that a range of strategic risks were identified in pursuance of the Authority's requirement to adopt a risk register and develop a risk management strategy;
2. note that the Management Team will receive a future report on the Authority's risk register, following receipt of the final report and underpinning information from Deloitte and further development of the information generated by the workshop by the Head of Corporate Services;
3. agree the Risk Management strategy will be submitted to its next meeting for consideration.

Executive Summary

In line with the Scottish Executive's principle that best practice in the private sector should be reflected in the public sector, the CNPA's Financial Memorandum requires the Authority to develop a risk management strategy. A risk management workshop was held on 12 November, including the Chair of the Committee and members of the Authority's Management Team. This was facilitated by representatives of the internal auditors, Deloitte. Following receipt of the final report and underpinning data from that exercise, the Management Team will determine a final risk register. The next step will be to develop an appropriate risk management strategy and response plan and to identify appropriate responsible officers for management of risks. The strategy will also determine the ongoing reporting framework for risk management processes.

RISK MANAGEMENT STRATEGY

Background

1. In September 1999, the Institute of Chartered Accountants in England and Wales published the report of the Turnbull Committee, "Internal Control: Guidance for Directors on the Combined Code". This extended the requirement on organisations to provide a statement on their financial controls in their annual accounts to set out a statement covering all controls, including financial, operational, compliance and the management of risk.
2. In line with the Scottish Executive's principle that best practice in the private sector should be reflected in the public sector, the CNPA's Financial Memorandum requires the Authority to develop a risk management strategy. The Management Statement also requires the Chief Executive, as the Accountable Officer, to ensure that a system of risk management is embedded in the organisation, to inform decisions on financial and operational planning and to assist in achieving objectives and targets. The requirement to establish a risk register and risk management policy was highlighted by the external auditor, Bob Clark, at the Committee's previous meeting.
3. In developing a risk management strategy, the Authority needs to consider not only its financial performance and controls, but also risks to its strategies, service objectives and reputation.

Identification of Risks and Establishment of a Risk Register

4. A risk management workshop was held on 12 November, including the Chair of the Committee and members of the Authority's Management Team. This was facilitated by representatives of the internal auditors, Deloitte. The aim of the workshop was to identify strategic risks faced by the Authority and to prioritise these in terms of both their impact on policy and achievement of goals if the risk in question materialised and on their likelihood of actual occurrence.
5. The outcome of the process was a prioritised risk register comprising over 70 potential areas of risk to the authority. These risks had been originally identified from within the Authority and are therefore specific to the CNPA's current circumstances and policy objectives, rather than comprising a set of generic business risks.
6. At the time of writing, the final report and underpinning analysis from the workshop was still to be submitted by Deloitte. Once received, the next stage in the process will be for the Head of Corporate Services to present a report on the findings to the Management Team in order to:
 - Allow for final review of the risks and their priority, and in particular to make a final determination of the relative priority of those risks where there was a range of views expressed in terms of likely impact and likelihood;
 - Agree a final risk register for adoption.

Recommendations

7. That the Committee notes that a risk management workshop was held in November and a range of strategic risks identified in pursuance of the Authority's requirement to adopt a risk register and develop a risk management strategy.
8. That the Committee notes that the Management Team will receive a future report on the Authority's risk register, following receipt of the final report and underpinning information from Deloitte and development of the information by the Head of Corporate Services.

Risk Management Strategy

9. Following adoption of a strategic risk register, a risk management strategy will be required to set out the means by which risks identified will be addressed.
10. The process of risk management is not one of encouraging risk avoidance. Rather, there is a requirement to identify the most appropriate response for each risk. Typically, for high priority areas of risk, this may be proactive management of situations to eliminate or reduce the potential impact of the risk and/or its likelihood of occurrence. For "medium" priority areas, identification of controls, monitoring of effectiveness and establishment of any potential "early warning indicators" may be adequate. For both these areas, identification of a responsible officer for risk management and reporting will be required. For low priority areas, there may be a risk management "acceptance" strategy, whereby risks have been identified, given low priority in terms of impact and occurrence and therefore accepted as being possible but not warranting resources being directed to their control.

Future Action

11. Once the risk register has been agreed, an appropriate risk management strategy and response plan will be developed and submitted to the Committee for consideration. The risk management strategy will provide the basis for the identification of appropriate responsible officers for management of risks, where those risks are deemed to be of a significance requiring active management or monitoring. The strategy will also determine the ongoing reporting framework for risk management processes.
12. Risk management processes are a relatively adaptable tool and may also be incorporated in the future to widen the scope of risk management from consideration of business risks to other areas such as environmental or economic risk factors within the Park. In embedding risk management processes throughout the organisation, risk management techniques may also be incorporated into the early stages of planning project delivery, particularly where projects are sizable in terms of expenditure and/or complex in their delivery.

Recommendations

- 13. That the Committee agrees the Risk Management strategy will be submitted to its next meeting for consideration.**

**David Cameron
7 December 2004
davidcameron@cairngorms.co.uk**