



Cairngorms National Park Authority

Internal Audit Report 2023/24

Risk Management

August 2023



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Risk Management

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Executive Summary

Conclusion

Cairngorms National Park Authority (CNPA) has a risk management framework in place that includes a Strategic Risk Register and specific risk registers for major programmes and projects. Oversight is primarily provided by the Audit and Risk Committee for strategic risks and the Performance Committee for programme and project risks.

There is a need however to develop risk management arrangements further to better reflect the size, scale and complexity of the organisation. We have identified several areas for improvement including the need to develop operational risk registers, to consistently score and review strategic and operational risks and to formalise revised working practices within an updated Risk Management Strategy.

Background and scope

Risk management involves understanding, analysing and addressing risk to make sure organisations achieve their objectives. It is not a process for avoiding risk. When used well, it can actively encourage an organisation to take on activities that have a higher level of risk because the risks have been identified and are being well managed, so the exposure to risk is both understood and acceptable.

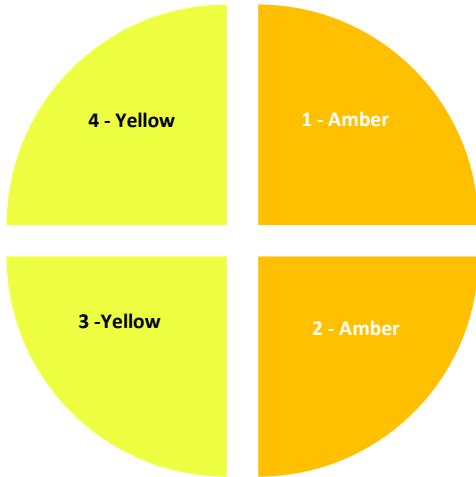
In order to be effective, risk management should be embedded throughout an organisation in such a way as to facilitate the timely identification and mitigation of the risks to the achievement of business objectives.

This means that risk registers should be based on CNPA's strategic and operational plans, and in particular those risks that would prevent the achievement of strategic and operational objectives.

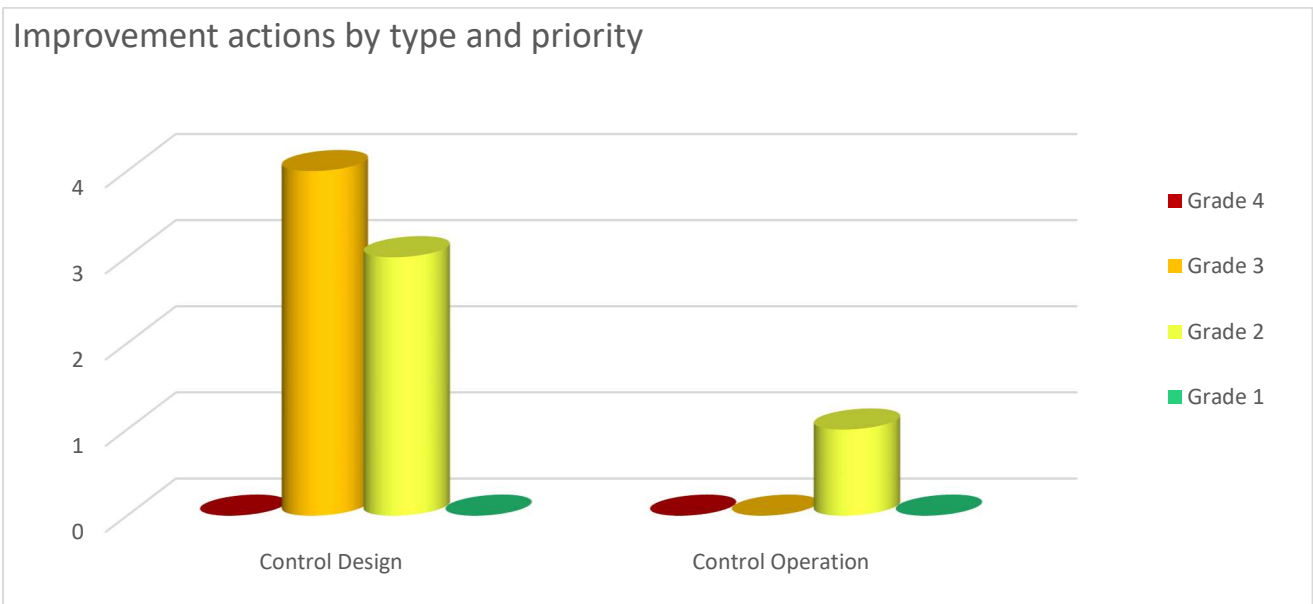
In accordance with the 2023/2024 Internal Audit Plan, we reviewed the policies, procedures and practices in place to support robust risk management within CNPA, building on the risk appetite work being undertaken by the Board.

Control assessment

- 1. CNPA has a robust risk management framework, including a defined risk appetite, risk management strategy and policies for managing strategic risk
- 2. There is a clearly defined and consistently applied approach for the accurate and timely identification, evaluation and reporting of strategic and operational risks.
- 3. Mitigating actions are identified to manage risk to within appetite that are assigned clear timescales and a responsible officer.
- 4. There is effective oversight of risk management including clear reporting and (de)escalation lines at the Board, committee and senior management levels.



Improvement actions by type and priority



Eight improvement actions have been identified from this review, seven of which relate to the design of controls in place. See Appendix C for definitions of colour coding.

Key findings

Good practice

- There is a clear focus on risk management and escalation within the 'Generic Terms of Reference for all Committees' as attached to the Governance committees' Terms of Reference , with clear guidance that committees should identify any risks relevant to their area and escalate these to the ARC should they be considered serious enough.
- We confirmed through interviews with staff that the Senior Management Team has a sound understanding of the risk management framework and lines of escalation, i.e. escalating risks within relevant committees, through the Senior Management Team or directly to the ARC.
- In May 2023 CNPA undertook a Board workshop to both refresh the understanding of the principles behind risk appetite and to re-score the risk appetite across different themes.
- There are specific risk registers for major programmes and projects which are reported to the Performance Committee on a regular basis.

Areas for improvement

We have identified a number of areas for improvement which, if addressed, would strengthen CNPA's control framework. These include:

- Refreshing the Risk Management Strategy.
- Implementing operational risk registers to ensure that operational risks related to the day-to-day activities of the organisation are recorded and monitored on a regular basis.
- Updating the Strategic Risk Register template to include current and target score and risk appetite.
- Implementing a formal risk scoring methodology for the assessment of all strategic risks current and target risk scores.

These are further discussed in the Management Action Plan below.

Impact on risk register

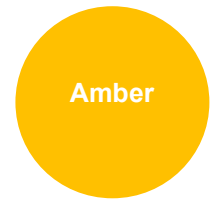
This review is linked to all risks from the CNPA Corporate Risk Register. Management should consider the recommendations raised throughout this report to strengthen the risk framework currently in place across the organisation.

Acknowledgements

We would like to thank all staff consulted during this review for their assistance and co-operation.

Management Action Plan

Control Objective 1: CNPA has a robust risk management framework, including a defined risk appetite, risk management strategy and policies for managing strategic risk.



1.1 Risk Management Strategy

The current CNPA Risk Management Strategy was developed in 2018 and is therefore considered out of date. The Deputy Chief Executive has confirmed that following the revision of the risk appetite, the strategy would require updating to reflect this.

We also noted that the strategy does not detail the processes required for the maintenance of operational risk registers, outside of those for major programmes or projects. This issue is also discussed under MAP 1.2.

In addition, at present the formal process of escalating and de-escalating risks is not documented within the Strategy, as also covered under MAP 4.1.

Risk

There is a risk the lack of an up-to-date Risk Management Strategy or clear relevant policies in place could lead to the CNPA failing to successfully mitigate risks, resulting in ineffective or failed internal processes, people, systems, or external events which can disrupt the flow of business operations and in turn lead to financial loss at CNPA.

Recommendation

We support the work to commence refreshing the Risk Management Strategy and recommend this is done as soon as possible. The strategy should be updated to include the procedures regarding operational risks, including how these should be identified, recorded and reported on and the process for the escalation and de-escalation of risks should be documented.

Management Action

Grade 3
(Design)

Recommendation agreed. This recommendation and related finding is a fair reflection of the degree of update needed in the overall risk management environment within the Park Authority, commenced with the consideration of risk appetite at board level.

Action owner: Deputy Chief Executive

Due date: 31 December 2023

1.2 Operational risk registers

CNPA maintains a Strategic Risk Register and specific programme and project risk registers. No operational risk registers are maintained to document, score and review operational risks relevant to the day-to-day activities of CNPA .

As such these risks would not be documented until such time as they became significant enough to be included within the Strategic Risk Register.

Risk

There is a risk that operational risks are not monitored to ensure they are managed within appetite, resulting in risks potentially becoming more significant over time.

Recommendation

Management should implement operational risk registers to ensure that operational risks related to the day-to-day activities of the organisation are recorded and monitored on a regular basis.

Management Action

Grade 3
(Design)

Recommendation agreed. We will work through the Operational Management Group in order to establish an appropriate framework for operational risk management.

Action owner: Deputy Chief Executive

Due date: 31 December 2023

Control Objective 2: There is a clearly defined and consistently applied approach for the accurate and timely identification, evaluation and reporting of strategic and operational risks.

A yellow circle containing the word "Amber" in white text, indicating the status of the control objective.

2.1 Risk Register Template

The current Strategic Risk Register template utilised by CNPA does not include the following detail:

- Risk Category
- Risk Appetite
- Current Score (Linked to Map 2.2)
- Target Score (Linked to Map 2.2)
- Due date for mitigating actions

From discussions with the Deputy Chief Executive it was noted that management felt that including the risk scoring on the risk register may lead to discussion focussing on the scoring rather than the wording of risks or mitigating actions.

Whilst this is acknowledged, it is essential to show risk scores and appetite on the risk register template to provide sufficient information to the ARC and Board on the overall risk exposure to the organisation, including whether this is in line with the defined risk appetite of the Board and the impact that mitigating actions are having on this exposure. Further, it was noted from discussions with non-executive members that this information would be helpful in allowing ARC to fully discharge their duties in relation to risk.

An example Strategic Risk Register has been provided in Appendix A.

Risk

There is a risk there is a lack of clarity over the risk exposure to the organisation, including whether actions are being treated in line with risk appetite, as a result of a lack of clear scoring methodology resulting in risks potentially being under or over treated.

Recommendation

The Strategic Risk Register template should be updated to include the following areas:

- Risk Category
- Risk Appetite
- Current Score
- Target Score
- Due date for mitigating actions

Management Action

Recommendation accepted. We will revise risk register formats in the context of the suggestions of this report and will review our approaches to monitoring risk management accordingly.

We note from a management perspective that we believe this action area to be graded too highly. Our presentation of risk management has sought to encourage strategic discussion of the risk environment and risk management trends rather than risk 'descending' into more transactional discussions on risk scores. We believe overly detailed risk presentation has the potential to divert strategic level discussion away from the key subject of effective risk management onto more detailed matters of risk categorisation and scoring. We do not accept that the absence of the specified elements within the current risk register represent a "high risk exposure" in terms of the action grading. We have made this point to the internal auditors.

Action owner: Deputy Chief Executive

Due date: 31 December 2023

2.2 Risk scoring

There is currently no risk scoring matrix utilised to record the current and target risks on the Strategic Risk Register.

The Deputy Chief Executive noted that risks would have been scored at inception but have not been formally scored since. We have been unable to obtain evidence of this initial scoring. We noted that the Strategic Risk Register template states that: '*Aim through mitigation to reduce Likelihood (LL) multiplied by Impact (IM) risk score to below 10 as acceptable risk value*', however it is not clear what the current risk scores are in relation to this nor whether the target of '10' was tied to the CNPA risk appetite.

Furthermore the trend analysis outlined within the register is based on discussion within the Senior Management Team on whether they feel mitigating actions are effectively addressing risks, rather than being based on a formal scoring methodology.

As such there is currently no documentation of the risk scoring process within the Risk Management Strategy with guidance for staff on the scoring of risks upon identification, including how the target scores and mitigating actions should be tied to the organisations risk appetite.

An example scoring matrix has been included in Appendix B.

Risk

There is a risk that there is a lack of clarity over the severity of the risks included within the Strategic Risk Register as a result of a lack of clear scoring methodology resulting in risks potentially being under or over managed.

Recommendation

A formal risk scoring matrix should be documented and utilised to score the risks on strategic and operational risk registers, with a current and target risk score documented along with a trend analysis for the risk. This scoring should align to the risk appetite relevant to the area.

Management Action

Recommendation accepted – we will incorporate more integrated, regular scoring of risks within the approach to risk management.

We note from a management perspective that we believe this action area to be graded too highly. Our presentation of risk management has sought to encourage strategic discussion of the risk environment and risk management trends rather than risk ‘descending’ into more transactional discussions on risk scores. We do not accept that the absence of the specified elements within the current risk register represent a “high risk exposure” in terms of the action grading. We have made this point to the internal auditors. We believe that the retained presence of risks on the strategic risk register has adequately signified that the level of risk profile remains such that it warrants inclusion in the register.

Action owner: Deputy Chief Executive

Due date: 31 December 2023

2.3 Risk reporting

The Risk Management Strategy notes that the Board will review the status of strategic risks twice per year at the time delivery against strategic plans are presented by staff. We reviewed board minutes for the past 12 months and found that the Board has not reviewed the Strategic Risk Register during this time.

It is noted that this was a transitional year for the organisation as a result of the transition from the 2018 to 2022 Corporate Plan to the 2023 to 2027 Corporate Plan. We confirmed the Audit and Risk Committee continued to review the Strategic Risk Register during this time.

Risk

There is a risk that there is a lack of clarity at Board level of the risk exposure being faced by CNPA, potentially impacting on the Board's ability to shape responses in line with risk appetite and leading to an increase in impact and severity of the risks, resulting in the CNPA not being able to achieve its strategic objectives.

Recommendation

Management should ensure the Strategic Risk Register is reviewed bi-annually in line with the Risk Management Policy.

Management Action

Grade 2
(Operation)

We agree that the board should continue to review the strategic risk management position twice each year. As highlighted in the above narrative, the ARC has continued to review strategic risk management and the 2022/23 year has been a transitional year between corporate planning periods and with consequent transition between corporate performance reporting systems. The board reviewed the strategic risk register in September 2023 and will continue to have sight of the redevelopment and management of strategic risks moving forward.

Action owner: Deputy Chief Executive

Due date: 30 June 2024

2.4 Risk training

The last risk management training provided to the Board was pre-COVID19 and as such there have been a number of changes to the board composition during this time.

The Deputy Chief Executive noted that he intends to commission training towards the end of 2023 upon the next round of appointments. From our discussions with Non-Executive members it was felt that risk training for the whole board and members of management would be beneficial.

Risk

There is a risk that Non-Executive members and staff do not have a clear understanding of the risk management principles being used by CNPA resulting in risks not being identified or scrutinised sufficiently.

Recommendation

We support managements intention to undertake risk management training and recommend this includes all key principles of risk management, identification, scoring, reporting etc taking into consideration the other recommendations raised in the report.

Management Action

Grade 2
(Design)

As noted, we will look to schedule risk management training to the full board on completion of a significant round of appointments of members since September 2022. Board time has been fully used over the last few years given wider pressures of COVID and NPPP / Corporate Plan development, together with other governance issues raised to be dealt with urgently.

Action owner: Deputy Chief Executive

Due date: 31 March 2023

Control Objective 3: Mitigating actions are identified to manage risk to within appetite that are assigned clear timescales and a responsible officer.



3.1 Mitigating actions

We identified that while the current Strategic Risk Register template includes mitigating actions and comments, it can be difficult to delineate between actions which have been implemented and planned actions.

It is also not clear whether the trend analysis is based on the implemented actions only or includes the planned actions. Further, there is a lack of detail regarding the impact the planned actions will have on the risk and whether these are the only actions considered required to manage the risk within appetite.

An example Risk Register template is provided in Appendix A utilising an existing CNPA strategic risk in order to demonstrate the delineation between actions implemented or ongoing and those planned.

Risk

There is a risk that staff and Board members are unclear on the mitigating actions still required for implementation and the impact these will have on the overall risk score.

Recommendation

The Risk Register Template should be updated to differentiate between implemented actions and those which still require implementation, and the due date these actions are planned to be in place by.

Management Action

Recommendation agreed.

Action owner: Deputy Chief Executive

Due date: 30 March 2024

Grade 2
(Design)

Control Objective 4: There is effective oversight of risk and management including clear reporting and (de) escalation lines at the Board, committee and senior management levels.



4.1 Escalation and de-escalation of risks

At present, those responsible for operational areas manage operational risks as part of business as usual activity until they feel they risk can no longer be managed in this way. At this point, it is escalated to the Senior Management Team who discuss whether an addition to the Strategic Risk Register is required. If a risk requires escalation to the Strategic Risk Register this will be raised at the next ARC meeting.

Should a risk score drop to the point it is no longer a strategic risk, it is removed from the Strategic Risk Register following decision by the ARC. Due to the lack of operational risk registers, such risks are no longer captured, unless specifically related to a programme or project.

The escalation and de-escalation processes are not currently documented within the Risk Management Strategy or any supporting procedures.

Risk

There is a risk staff are unclear on the process for escalating risks or continuing to manage risks at an operational level should they be de-escalated, resulting in risks potentially being missed or risks increasing.

Recommendation

Management should clearly document the process for the escalation and de-escalation of risks within the Risk Management Strategy (linked to MAP 1.1)

Management Action

Recommendation agreed

Action owner: Deputy Chief Executive

Due date: 31 March 2024

Grade 2
(Design)

Appendix A – Example Strategic Risk Register

We have outlined below an example Strategic Risk Register based on other Non-Departmental Government Bodies

Risk ID	Risk Category	Risk Description	Controls in Place	Current Impact	Current Likelihood	Current Risk Score	Trend	Planned Actions	Due Date	Risk Appetite	Target Score	Target Date	Target Risk Score	Risk Owner	Date Last Updated
A9	Corporate Functions/ Corporate Reputation	Additional Externally Funded Projects strains staff workload capacity with increased risk of stress and reduced morale.	Importance of staff management and task prioritisation reinforced through leadership meetings. Focus on fewer, larger impact projects. Additional recruitment in 2022/23 to alleviate key staff pressure points is complete.	25	3	75	Reducing	Strategic and operational plans for 22/23 will be developed with externally funded project delivery as intrinsic elements of plans to ensure delivery capacity is considered fully.	31/12/2023	Cautious	10	2	20	Deputy CEO	31/07/2023

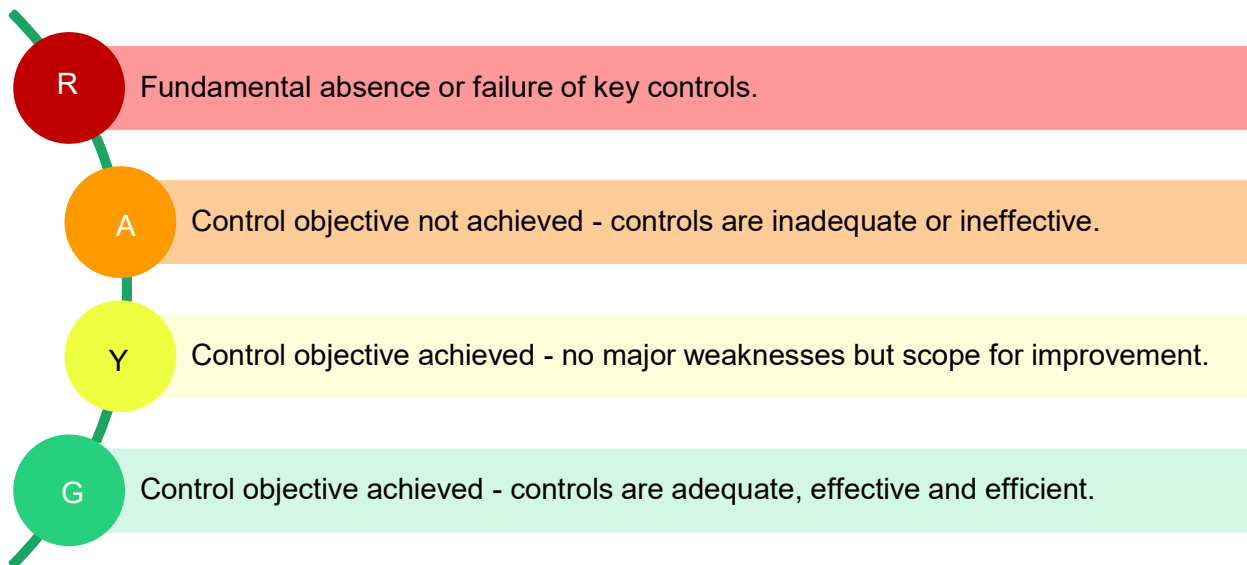
Appendix B – Example Risk Scoring Matrix

We have outlined below an example Risk Scoring Matrix based on other Non-Departmental Government Bodies

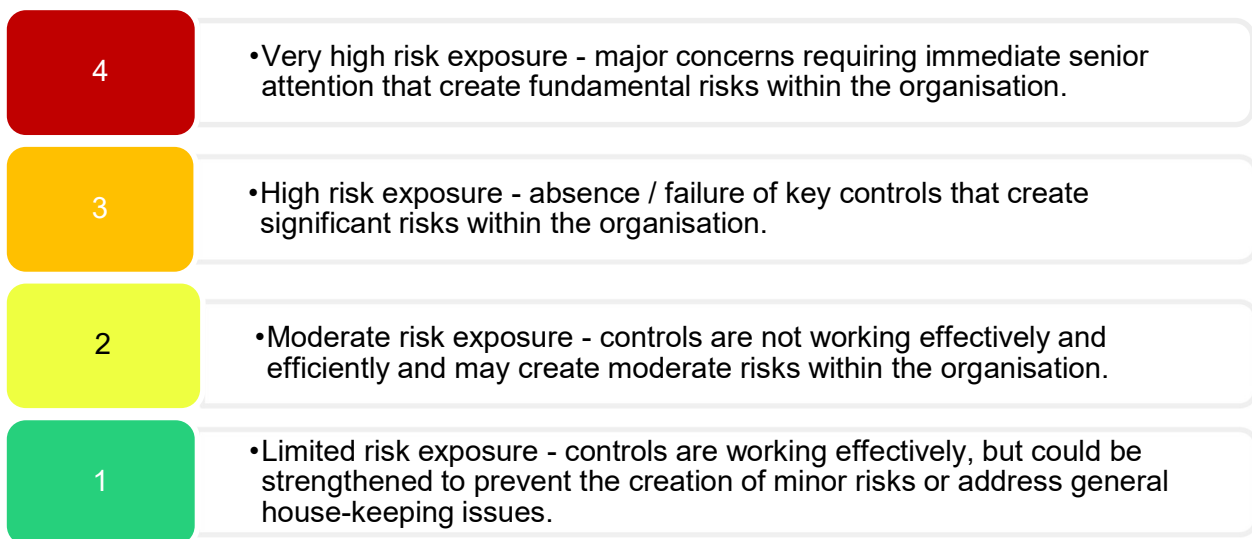
Impact	Risk Profile				
Very High	50	100	150	200	250
High	25	50	75	100	125
Medium	10	20	30	40	50
Low	5	10	15	20	25
Negligible	1	2	3	4	5
Likelihood	Rare	Low	Medium	High	Very High

Appendix C – Definitions

Control assessments



Management action grades



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