

NWIFCA Risk Management Strategy: Assessment and mitigation

Updated April 2012

Requirement for risk management

1. Like all organisations, the NWIFCA faces the potential for events and consequences that may either be opportunities for benefit or threats to success. This potential has become known as risk. Management of risk is increasingly considered to be central to management of an organisation. The NWIFCA recognises its responsibility to assess possible risks to its Officers and Operations from unforeseen events.
2. Risk management is the process whereby the Authority methodically addresses the risk associated with what it does and the services which they provide. The focus of good risk management is to identify what can go wrong and take proportionate steps to avoid this or successfully manage the consequences. The importance of looking afresh at risk comes in the wake of a more demanding society and more challenge when things go wrong
3. Risk for the NWIFCA may be defined as the likelihood of an event combined with the potential of the event to have positive or negative impacts on the management objectives of the organisation. A risk is anything that may occur and have an adverse impact on the marine environment, fisheries or the Authority itself.
4. Risk management includes financial management but goes wider. It is about seeking the achievement of objectives set by the Authority to deliver its duties. The failure to manage risks effectively can be expensive in terms of litigation and reputation. Failure would limit the Authority's ability to achieve desired targets, and negatively impact the Authority's budget.
5. This strategy covers a number of areas of risk:
 - I. Risks to the business activities and operations of the NWIFCA are identified below.
 - II. Risks to the governance and financial management of the Authority are covered in the Statement of internal control which is designed to meet the requirements of the Accounts and Audit Regulations 2003.
 - III. Risks to the Health and Safety of officers and anyone they work with are covered in the NWIFCA H&S policy.
 - IV. The Authority plans and implements its enforcement work according to the risks of illegal fishing activity and damage to the marine environment throughout the District. This risk based approach to enforcement is set out in the NWIFCA compliance and enforcement strategy.
6. The NWIFCA uses an audit approach derived from Local Councils. Risk areas are kept under review so that governance is strengthened and stewardship of public funds is improved.
7. Projects may be managed using tailor made methodology. Project managers will identify and assess the risks associated with the project and mitigating controls and document these in a risk register. The register will be maintained and updated throughout the life of the project.
8. This risk management strategy is available from the NWIFCA office and will be placed on the website when signed off by the Authority.

Objectives

9. The aim of risk management is to reduce as far as possible known and unknown risks. It should as much as possible, integrate awareness of risks into business and management

processes such as decision making, planning, policy making, project and service delivery. The NWIFCA should manage risk in accordance with best practice so that as far as possible the greatest threats to the organisation and its operations are identified, monitored and reduced. This strategy should raise awareness of the need for risk management both within the Authority and with key partners and suppliers of goods and services.

10. This strategy should assist the Authority to anticipate and respond to unexpected change. An understanding of risks trained into NWIFCA officers should reduce accidents and prevent or reduce injury, damage and loss arising from unforeseen events.
11. The risk management strategy should meet the minimum standards set out in government guidance and it will be continuously reviewed and improved.

Risk Management Process

12. There are four key stages to the risk management process, which are recorded and monitored through the use of risk registers:-
 - I. **Identification:** The Authority will identify business and operational risks that could affect achievement of NWIFCA objectives.
 - II. **Assessment:** This is inevitably subjective but impact and likelihood will be considered. Both the gross risk (before controls) and the net risk (following the implementation of controls) should be considered.
 - III. **Control:** Possible mitigating measures will be considered and noted for significant risks. Action plans may be developed where controls can be improved.
 - IV. **Monitoring and Review:** Business and operational risks will be reviewed and reported annually by responsible officers. The Chief Executive and Enforcement Director will be required to provide an annual assurance statement on the effectiveness of controls and management of risk within their area. These statements will contribute to the assurance required for the Authority's Statement on Internal Control.

Roles and responsibilities

13. All Officers and Members should have regard to risks when carrying out their duties and in all the decisions they take. Annex A identifies the main roles in the management of risks.

Risk registers

14. The strategy includes the maintenance and review of the business and operational risk registers at Annex B. Risk registers should identify the risks which the NWIFCA could face. They should be compliant with government best practice guidelines and be peer reviewed as required by Defra.
15. The registers should:
 - I. include the issues identified which could impact on the sustainable management of the marine environment.
 - II. identify and evaluate a range of management measures for their potential to mitigate the risks;
 - III. identify which regulatory and measures are the most appropriate management measures;
 - IV. address fisheries and wider sustainability concerns as they arise with suitable management measures;

Risk Assessment Review

16. The risk management strategy and the risk registers at Annex B should be reviewed and approved annually by the Authority. Each year, a minute recording approval is needed for the audit. The risk assessment review for the year ending 31 March 2012 was approved at the NWIFCA meeting on 16 March 2012.

Review of Effectiveness of Internal Audit

17. The Effectiveness of the Internal Audit at Annex C should be reviewed and approved annually by the Authority. Each year, a minute recording approval is needed for the audit. The review of effectiveness for the year ending 31 March 2012 was approved at the NWIFCA meeting on 16 March 2012.

Training and Communication

18. Risk management training will be provided to officers. The requirements for training and the means of providing training are to be identified in detail.

Monitoring and Reporting

19. Assurance on the effectiveness of controls over key strategic and operational risks will also be provided by the Finance Officer.
20. The strategy and action plan will be reviewed annually.

Annex A: Types of risks and the main roles and responsibilities in the management of risks to the NWIFCA

1. The risk categories given below are examples and neither prescriptive nor exhaustive. They provide a framework for identifying and categorising a broad range of risks, which may overlap and cannot be viewed in isolation.

Category of risk	Controls	Audit testing
<p>Insured risks</p> <ul style="list-style-type: none"> • Protection of buildings, contents, vehicles, vessels from loss or damage. • Risk of damage to third party property or individuals (public liability). • The risk of consequential loss of income following critical damage, loss or non-performance by a third party. • Loss of cash through theft or dishonesty (fidelity guarantee). • Legal liability as a consequence of asset ownership (public liability) 	<p>Maintain up to date register of assets and investments.</p> <p>Regular maintenance arrangements for physical assets.</p> <p>Annual review of risk and the adequacy of cover.</p> <p>Check robustness of insurance providers</p>	<p>Review internal controls and their documentation.</p> <p>Review management of insurance cover.</p> <p>Test specific internal controls and report findings to management.</p>
<p>Business risks</p> <p>Risks that need to be taken into account in judgements about the medium to long-term goals and objectives of the Authority. These may be:</p> <ul style="list-style-type: none"> • Political: e.g failure to deliver local or central government policy, arising from wrong priorities, or decisions. • Economic: e.g. failure to meet financial commitments because of internal budgetary pressures, inadequate insurance cover, external macro-economic changes, or the consequences of bad investment decisions. Failure to apply cost effectiveness which could reduce quality of service or delivery of best value. • Social: e.g. failure to meet the needs or expectations of customers and citizens. • Technological: e.g. incapacity to manage or best use technology or the consequences of internal technological failures on the Authority's ability to deliver its objectives. • Legislative: e.g. arising from changes in national or European law. • Environmental: e.g. the consequences of new environmental regulation, energy inefficiency, pollution. • Reputational: e.g action or decisions taken, which damage reputation locally or nationally. 	<p>These risks are controlled by corporate business processes</p> <p>Financial planning and annual budget setting.</p> <p>Performance planning.</p> <p>Policy and decision making.</p> <p>Strategic planning.</p> <p>All operational planning at the annual level and down to the daily level and from the organisation level to individual work planning.</p>	<p>The Chief Executive and Directors review these risks as part of the annual planning process.</p> <p>They identify any new risks arising from changed priorities and amendments needed to operational activity.</p> <p>They should check that risks have been correctly identified and assessed</p>

<p>Operational Risks</p> <p>Risks that managers and staff will encounter in the daily course of their work. These may be:</p> <ul style="list-style-type: none"> • Professional: e.g. damage to marine sites or fishstocks from poorly managed activities or poor enforcement of appropriate regulations; • Financial: those associated with financial planning and control and the adequacy of insurance cover; • Legal: those related to possible breaches of legislation; • Physical: those related to fire, security, accident prevention and health and safety (e.g. hazards/risks associated with buildings, vehicles, plant and equipment or assault and intimidation of officers); • Contractual: those associated with the failure of contractors to deliver services or products to the agreed cost and specification; • Technological: e.g. failures of equipment (IT systems, vehicles, machinery); • Environmental: e.g. pollution, damage to protected sites such as SAC or MCZ or impacts on stocks resulting from illegal activities. • Human Resources: e.g. from recruitment/retention, sickness management, change management; • Reputational: arising from actions, which can damage the Authority's reputation at local or national level. 	<p>Enforcement Director identifies, assesses and controls operational risks.</p>	<p>Enforcement Director updates the operational risk register and controls as required.</p>
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Roles and responsibilities in the management of risks to the NWIFCA

<p>Members</p>	<p>Oversee and scrutinise management of the Authority and implementation of this strategy. At least once each year members should:</p> <ul style="list-style-type: none"> ➤ Check that the risk strategy, health and safety policy, enforcement policy and statement of internal control are reviewed and up to date; ➤ Note and comment on the potential consequences to the Authority if an event identified as a risk takes place; ➤ Note and comment on proposed measures to avoid, reduce or control risks or their consequences; and ➤ Ensure decisions relating to these policies are recorded and implemented and receive an annual report on the implementation of the risk management strategy.
<p>Chief Executive (CEO):</p>	<p>Is the accountable officer with management responsibility for the risk strategy.</p> <p>Monitors and reviews the effectiveness of the risk management strategy and report to the Authority on the effectiveness of the strategy.</p> <p>Consults with Enforcement Director, Finance Director Clerk and Office manager each quarter to ensure the risk strategy, health and safety policy, Enforcement policy and statement of internal control are reviewed and up to date. Reports to members on risk issues.</p>

	<p>Determines control action and assigns responsibility.</p> <p>Oversees development of the strategy, risk registers and the monitoring and review system.</p>
Enforcement Director (ED)	<p>Assesses, monitors and controls risks relating to enforcement operations and the Patrol vessel, holds responsibility for implementation of the enforcement strategy and ensures IFCOs receive required training.</p> <p>Identifies, assesses, controls and monitors enforcement and service specific risks in accordance with the risk management strategy and ensures they are in the risk registers.</p> <p>Reports to CEO on all changes to risks identified and provides an annual assurance statement on the effectiveness of controls and management of risk in the service area.</p>
Finance Director (FD)	<p>Identifies, monitors and controls risks relating to finance and business processes, system of internal control, management of accounts and audit.</p> <p>Reports risks and updates the risk register at least annually.</p> <p>Reports to CEO on all changes to risks identified and provides an annual assurance statement on the effectiveness of controls and management of risk in the service area.</p>
Internal auditor	<p>Reviews the effectiveness of control measures that the Authority puts in place</p>
Health and Safety Manager	<p>Monitors and updates H&S policy quarterly and ensures Officers have received required training.</p> <p>Reports to CEO on all changes to risks identified. Checks risk registers are up to date and provides an annual assurance statement on the effectiveness of controls and management of risk in the service area.</p>
Clerk/ Office Managers	<p>Assesses, monitors and controls relevant risks at Authority meetings and in offices and ensures risk registers are up to date.</p> <p>Reports to CEO on all changes to risks identified</p>
Skipper and crew Patrol Vessel	<p>Assesses and monitors risks relating to the patrol vessel and crew.</p> <p>Reports to ED on all changes to risks identified Ensures risk registers are up to date and provide an annual assurance statement on the effectiveness of controls and management of risk in their service area.</p>
All Science Officers	<p>Assesses, monitor and control risks in science work programme and day to day work.</p> <p>Reports to CEO on all changes to risks identified. Checks risk registers are up to date</p>
All Enforcement Officers	<p>Assess, Monitor risks relating to their personal day to day work</p> <p>Report to ED on all changes to risks identified</p>
All Officers	<p>Assess, Monitor and control risks relating to their personal work programme and day to day work</p>

ANNEX B: Risk Registers for NWIFCA

REVIEW OF RISK ASSESSMENT: updated March 2012

Part 1: Financial Risks

	RISK IDENTIFIED	HIGH /M/ /LOW	MANAGEMENT OF RISK	STAFF ACTION
Levy	Not submitted	L	Full Minute –FO follow up	Diary
	Not paid by council	L	Confirm receipt	Diary
	Adequacy of precept	H	Monthly review of budget to actual	Diary
Other Income	Cash handling	L	Cash handling avoided – income comes as cheques or BACS	Review annually
	Cash banking	L	Income comes as cheques/BACS	Review annually
	Sampling income	L	Check sampling records to invoices	FO verify
Grants	Claims procedure	M	FO check as required	Diary
	Receipt when due	M	FO check as required	Diary
Investment Income	Receipt when due	L	FO check as required	Diary
	Surplus funds	L	Review levels and investment annually	Diary
Reserves- General	Adequacy	L	Consider at Budget setting	FO opinion
Reserves – Earmarked	Adequacy	L	Consider at Budget and review of final accounts	FO opinion
	Unidentified Earmarked or Contingent liability	L	Review minutes	FO/Authority view
Assets	Loss, Damage etc	M	Annual inspection, update insurance and asset registers	Diary
	Risk or damage to third party property or individuals	M	Review adequacy of Public Liability Insurance	Diary
Staff	Loss of key personnel	L	Hours, health, stress, training, long term sick, early departure – risk monitored and managed as appropriate	FO/Personnel
	Fraud by staff	L	Fidelity Guarantee value appropriately set	Review annually
Loss	Consequential loss due to critical damage or third party performance	L	Review adequacy of insurance cover	Diary
Maintenance	Reduced value or assets or amenities-loss of performance	M	Annual maintenance inspection	Diary
Legal powers	Illegal activity or payment	M	Educate officers as to their legal powers	Diary
Financial Records	Inadequate records	L	FO check regularly + internal audit review	Diary
Minutes	Accurate and legal	L	Review at following meeting	Diary
Members interests	Conflict of interest	M	Declarations of interest to be documented/minuted and any conflict addressed as appropriate	Diary
Salaries	Wrong salary/hours /rate paid	M	Check salary, hours and rate to contract	FO to verify
	Wrong deductions-NI and Income Tax	M	Check to PAYE calculations	FO to verify
Direct Costs and overhead expenses	Goods not supplied to NWSFC	M	Follow up on all orders	Approval check
	Invoice incorrectly calculated or recorded	L	Check arithmetic on Invoices and perform bank reconciliation on monthly basis	FO/ CEO to verify
	Cheque payable is excessive or to wrong party	M	2 Signatories initial Stub & Voucher	Approval check
VAT	VAT analysis	M	All items in cash book lists	FO verify
	Charged on sales	M	Consider annually	FO verify
	Charged on purchases	L	Consider all items per cash book lists	FO verify
	Claimed by time limits	M	Agree returns submitted	FO verify

Part 2: General Risks to NWIFCA

	RISK IDENTIFIED	HIGH/ M /LOW	MANAGEMENT OF RISK	STAFF ACTION OR OTHER SUPPLIER
Carnforth Office	Loss or damage	L	Building Insurance through Landlord	Landlord/annual review
	Loss of contents	M	Contents insurance	Zurich Municipal/annual review
	Security of building	H	Alarm and monitoring, security camera	Securitec
Whitehaven Office	Loss or damage	L	Buildings Insurance	Zurich Municipal/annual review
	Loss of contents	M	Contents insurance	Zurich Municipal/annual review
Public Liability	Damage caused to third party by NWIFCA	M	Public Liability Insurance	Zurich Municipal, adequacy reviewed annually
Legal Action	Action taken by third party against NWIFCA staff in course of duties	M	Libel and slander cover added to insurance	Zurich Municipal
	Legal expenses incurred by NWIFCA in defence	L	Legal expenses cover added to insurance	Zurich Municipal
Insurance Providers	Adequacy and robustness	L	Consider annually	Use national reputable insurers
Patrol Vessel and other marine vessels	Adequacy for duties	M	Plan replacement	Boat subcommittee set up
	Unexpected repairs	H	Reserve kept for repairs	FO
	Loss or damage	L	Adequate marine insurance	Gallagher Heath/annual review
Motor Vehicles	Loss, Damage etc	M	Adequate insurance cover	Zurich Municipal/ review annually
	Risk or damage to third party property or individuals	M	Adequate insurance cover	Zurich Municipal/ review annually
	Maintenance	H	Regular checks by officers, regular servicing, extended warranties	IFCO officers and Motor Dealers
Staff	Injured in course of duties	L	Employer's Indemnity Insurance	Cover with Zurich Municipal reviewed annually
	Key personnel leave and service suffers	M	Ensure that records are well kept and work could be transferred to new staff	CEO - good management structure and communications
	Performance and adequacy for duties	M	Staff appraisal system in place and training offered where required	CEO/FO
Minutes of Authority Meetings	Proper documentation	L	Minutes promptly prepared, pages numbered and paginated, master copy kept in safekeeping	Clerk to the Authority
Members interests	Corruption or self interest	M	Declaration signed at each Authority meeting by anyone with a financial interest in an item – may not vote on item	Clerk to the Authority
Procedures to deal with public	Proper service and complaints handling not achieved	M	Procedures detailed in annual plan	CEO
Procedures for Authority meetings	Inadequate safeguards	L	Standing orders in place to regulate meetings	CEO/ Clerk to the Authority

ANNEX C: REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT

Expected Standard	Question	Answer	North Western Inshore Fisheries & Conservation Authority Detail
Scope of Internal Audit	Does the internal audit sufficiently cover all aspects of the financial controls relevant to the Authority? Are terms of reference in place and approved?	Yes	Moore & Smalley LLP carry out full internal audit just after financial year end.
Independence	Is the Internal Auditor independent?	Yes	Chartered Accountants Moore & Smalley LLP of Lancaster carry out the internal audit for the Committee. In accordance with financial regulations, they have no other role within the Committee, they report in their own name to management, and they have direct access to the CE, FO and Clerk and any other staff or Committee members they require.
Competence	Is the Internal Auditor competent to carry out their work ethically, with integrity and objectivity?	Yes	Moore & Smalley are registered by the Institute of Chartered Accountants in England and Wales to carry out audit work. (Authorised and regulated by the Financial Services Authority.)
Relationships	Are the responsible officers (CEO, FO, Clerk) consulted in the internal audit plan?	Yes	FO will consult CEO and Clerk on the scope of internal audit. Responsibilities for officers and internal audit to be defined in relation to internal control, risk management and fraud and corruption matters.
Audit Planning and reporting	Is there a plan for when the internal audit will take place? Does the plan properly take account of risk?	Yes	Authority follows the external Auditors (BDO Stoy Hayward) recommendations and requirements. Internal Audit to take place April/May 2012. Risk assessment and Audit plan to be reviewed and approved at Authority meeting on 16 March 2012 and annually in the future..