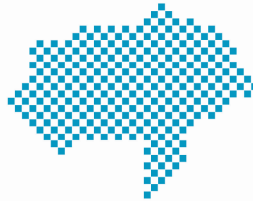


**Police and Crime
Commissioner
North Yorkshire**



Risk Management Final Report

Auditor	Julie Wraithmell-Giggall
Contact Details	01924 294061
Date of Review	Oct 2014 – Jan 2015
Draft Report Issued	January 2015
Final Report Issued	January 2015

1 Executive Summary

The objective of the audit was to provide assurance in relation to risk management arrangements in place at North Yorkshire Police and the Office of the Police and Crime Commissioner. Risk management is the process by which risks that may impact on business activities are addressed by an organisation in order that their corporate goals and objectives are achieved. The risk management process involves the identification and analysis of risk, the reporting of risks and the decisions and actions taken to mitigate these risks. Effective risk management should be a continuous, developing process that is integrated into organisational culture.

In North Yorkshire, there is a joint Corporate Risk Group, chaired by the Commissioner's Chief Executive Officer and the Deputy Chief Constable. There is a joint Risk Management Policy and a Joint Risk Management Strategy 2013 – 2017. Risk management is supported by an automated risk management system, Active Risk Manager (ARM) which provides risk recording, reporting and monitoring functionality.

The roles and responsibilities in relation to risk management are comprehensively defined in the risk management policy. This includes definition of the roles and responsibilities of the Police and Crime Commissioner (PCC), Chief Constable (CC), Executive Board, Command Team and Joint Corporate Risk Group (JCRG).

The policy is regularly reviewed and is published on the corporate intranet policy and procedure database. The policy outlines the risk management process, including the management of departmental and functional registers and the regular evaluation of these registers to escalate to the strategic register, where appropriate. The auditor was advised that the policy is currently due for review and will include a restatement of the definition of strategic risk to give clearer guidance and focus as to the criteria for the assessment of strategic risk. This should provide added assurance regarding the correct identification and capture of strategic risks.

The JCRG performs a key role in the joint risk management system. As well as providing assurance in relation to the management of recognised strategic risks, the JCRG acts as a forum for discussion of emerging risks or for escalation of known operational risks, including discussion with risk owners and Head of Functions.

The Risk & Assurance Manager is responsible for co-ordinating and delivering risk management services. This provides a dedicated resource to focus the development and implementation of the risk management framework and provides assurance that the organisation is equipped to support continual improvement in its risk management arrangements.

Risk champions have been identified and where appropriate, ad hoc training and awareness sessions have been provided, particularly in the use of the organisations risk management software, Active Risk Manager (ARM). Though there is no specific training provided within induction packs, the auditor was advised that the training, awareness and compliance with the requirements of the National Decision Model which is applicable to all police officers, means that there is adequate assurance of awareness of risk management, including context of risk, risk identification, risk assessment, risk

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evaluation, risk responses and risk reporting. However, it is recognised that this provision of training is at a reasonably high level within the organisational structure and added assurance could be obtained from the provision of training and raising awareness of risk management issues across all levels of the organisation. The auditor was advised that risk management and business continuity workshops are currently being developed and are likely to be delivered later in 2015, though at this stage the exact timing and the extent to this training delivery is not known.

The auditor was advised that the Risk & Assurance Unit are planning to offer to assist operational areas in the completion of SWOT analysis, to enable the identification of operational and local risks. The completion of such assessments will provide good assurance that the organisation is being pro-active in identifying and managing local risks.

The use of ARM provides a framework to support the capture of risks in a comprehensive and consistent manner. The Risk & Assurance Unit support the JCRG by undertaking regular reviews of the departmental and functional risk registers and their associated action logs and ensure they are reported to JCRG on a regular basis.

The JCRG meets monthly. The organisation has recently undertaken a review of its governance arrangements and it has been determined that the frequency of the JCRG will remain unchanged. There is a clear escalation process where departmental and functional risks need to be evaluated for inclusion on the strategic risk register.

Risks are assessed using a criteria and scoring system as approved by the Executive Board which reflects the organisation's risk appetite. The strategic risk register includes joint risks which score highly based on this risk scoring and criteria and that are deemed to require action at a strategic level. As identified earlier, the current definition of strategic risk detailed within the policy requires amendment. The auditor was advised that the revision to the definition will appropriately consider the link between risks and the achievement of corporate objectives and statutory obligations.

The PCC and CC have also developed and published a Joint Risk Management Strategy. As well as outlining the risk management framework, including risk management priorities and objectives, it sets out the commitment to undertake an annual review of arrangements, to ensure they continue to meet organisational need.

The auditor was advised that the organisation is now looking to further develop horizon scanning as well as identifying opportunities within the risk management arrangements. Developing and maturing these aspects will provide further assurance regarding risk management across the organisation.

In a bid to further demonstrate openness and transparency, the PCC has made a commitment to publish a risk summary report on an annual basis. The style and context of the public risk summary is undergoing scrutiny and challenge at the JCRG and the Joint Independent Audit Committee (JIAC). This provides confidence that the approach adopted will sufficiently balance the commitment to transparency and accountability with the need to be mindful of publishing sensitive information which might jeopardise the achievement of strategic and operational objectives.

Overall, Internal Audit concludes that there is reasonable assurance that there are effective, well designed risk management arrangements in place.

	Commentary
Effectiveness of Risk Management Approach	Generally there is reasonable assurance regarding the effectiveness of the risk management arrangements in place at North Yorkshire Police and the Office of the Police and Crime Commissioner. The revision of the Risk Management Policy to include a clearer definition of strategic risk would provide added assurance regarding the correct and prompt identification of strategic risks. Further, the proposed assistance to operational areas to undertake SWOT analysis will increase confidence that local risks are identified and can be escalated through the risk management process where appropriate.
Efficiency of Risk Management Approach	There is reasonable assurance in respect of the efficiency of the adopted approach in respect of risk management. The dedicated resource provided by the Risk & Assurance Unit demonstrates an efficient approach to providing a central support function for risk management issues.
Assurance Level	1: Reasonable Assurance
Overall Risk	5:8

2 Scope and Approach of the Audit

The objective of the audit was to undertake a strategic evaluation of the current risk management system and processes in operation to North Yorkshire Police and the Office of the Police and Crime Commissioner. Assurance can then be given to the Commissioner and Chief Constable that risks are controlled and the systems in place are operating efficiently and effectively.

Each recommendation is accompanied by an assessment of the likelihood and impact of the risk identified, to North Yorkshire Police/ the Commissioner as a whole.

3 Report Distribution

NOT PROTECTIVELY MARKED

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Name/Role	Draft	Final	Final with Response
Lesley Whitehouse, Risk & Assurance Manager (Temporary Higher Responsibilities)	✓	✓	✓
Donald Stone, Risk & Assurance Manager	✓	✓	✓
Maria Earles, Head of Organisation & Development	✓	✓	✓
Tim Madgwick, Deputy Chief Constable	x	✓	✓
Miss Joanna Carter, Chief Executive Officer	x	✓	✓
Risk & Assurance Unit	x	✓	✓

4 Observations

4.1 Policy Review – Strategic Risk Definition

Risk Exposure			Root causes		
Lack of understanding or consistency in the definition of strategic risk leading to increased risk of failure to identify and manage strategic risks.			The definition of strategic risk is not clearly defined within the Risk Management Policy.		
Probability	Financial	Reputation	Operational	Legal	Rating
Probable	Minor	Minor	Minor	Minor	5:8

There is a risk management policy which is regularly reviewed and is published on the corporate intranet policy and procedure database. The policy refers the reader to the methodology by which risks are assessed which is outlined within the Corporate Risk Appetite. There is clear reference to the impact in the key areas relating to finance, reputation, operational policing and legal compliance. However, the definition and description within the risk appetite could benefit from further clarification as to the criteria used to define strategic risk. This clarification, particularly in reference to links to achievement of corporate objectives and statutory obligations, would help support that strategic risks could be more clearly and easily recognised. This should also provide further assurance regarding the consistency of approach when identifying and escalating risks for inclusion in the strategic risk register.

Recommendation 1

The review of the Risk Management Policy should include consideration of the relevant Corporate Risk Appetite document. Where appropriate, further clarity should be provided to ensure that strategic risks can be easily recognised in accordance with the criteria and escalated accordingly.

4.2 Organisational Training and Risk Management Awareness

Risk Exposure			Root causes		
The risk management framework is not fully embedded as a result of limited awareness of risk management across the operational levels of the organisation resulting in an increased risk of failing to promptly identify and manage risks.			Lack of risk management training and awareness.		
Probability	Financial	Reputation	Operational	Legal	Rating
Probable	Minor	Minor	Minor	Minor	5:8

The Risk & Assurance Unit provide, where necessary, training in risk management awareness and usage of the ARM risk management system to risk champions. The auditor was advised that historically inclusion of risk management awareness information within the induction pack for new officers and employees had been considered but not progressed due to the current volume and priority of other information and policies within the induction pack. Specific risk management training has also been provided on an ad hoc basis across pockets of the organisation, usually as a result of a direct request to the Risk & Assurance Unit. The auditor was advised that risk management is currently being considered for inclusion in the delivery of a number of risk management and business continuity workshops likely to be held later in 2015. The exact timing and the extent of this training delivery was not known at the time of the audit.

Recommendation 2

The organisation should seek to gain assurance that there is sufficient risk management awareness across all levels of the organisation. Where gaps in knowledge or awareness are identified, the Risk & Assurance Unit should seek to support the business or operational area in providing relevant guidance, information or training as applicable.

4.3 Operational SWOT Analysis

Risk Exposure			Root causes		
Failure to promptly identify and adequately manage risks at a local level.			Insufficient evidence that robust arrangements are in place to identify local or operational risks.		
Probability	Financial	Reputation	Operational	Legal	Rating
Unlikely	Minor	Minor	Minor	Minor	5:5

The audit was undertaken as a high level review and as such did not include detailed evaluation or testing of local risk management arrangements. As identified earlier, assurance in respect of identification of risks at a local or operational level could be enhanced by the provision of risk management training and awareness across the organisation. The auditor was advised that the Risk & Assurance Unit is considering how the risk management framework is being embedded. As part of the embedding of arrangements at a local level they are considering an offer to assist in the completion of SWOT analysis across the operational areas of the business. The auditor was advised that similar assessments have been undertaken in a small number of areas across the organisation, however, these have been sporadic and on an ad hoc basis. The periodic completion of SWOT analysis or similar assessment comprehensively at local levels will provide increased assurance regarding the prompt identification and ability to manage local risks. This process will also provide a timely opportunity to escalate local and emerging risks for consideration for inclusion in the strategic risk register.

Recommendation 3

The organisation should seek to support the Risk & Assurance Unit in promoting the periodic completion of SWOT analysis or similar assessments across the various business and operational areas of the organisation. As well as added assurance regarding the identification and management of risks at a local level, this will provide an opportunity to develop and mature processes for horizon scanning.

5 Recommendations

#	Recommendation	Category of Rec.	Management Action	Action Manager & Completion Date	Satisfactory Response (IA View)
1	The review of the Risk Management Policy should include consideration of the relevant Corporate Risk Appetite document. Where appropriate, further clarity should be provided to ensure that strategic risks can be easily recognised in accordance with the criteria and escalated accordingly.	Merits Attention	The risk management policy and appetite is currently being reviewed to include the definition of strategic risk and the process of risk escalation. These documents will be completed and re-published by 31 March 2015.	Lesley Whitehouse 31 March 2015	Yes
2	The organisation should seek to gain assurance that there is sufficient risk management awareness across all levels of the organisation. Where gaps in knowledge or awareness are identified, the Risk & Assurance Unit should seek to support the business or operational area in providing relevant guidance, information or training as applicable.	Significant	Risk Management awareness and Risk Management updates will be provided by Master Classes during 2015. Consideration will be given to including Risk Management awareness in induction packages for new starters later in the year.	Maria Earles/ Donald Stone/Lesley Whitehouse 31 December 2015	Yes
3	The organisation should seek to support the Risk & Assurance Unit in promoting the periodic completion of SWOT analysis or similar assessments across the various business and operational areas of the organisation. As well as added assurance regarding the identification and management of risks at a local level, this will provide an opportunity to develop and mature processes for horizon scanning.	Significant	SWOT analysis completed with Joint Corporate Legal Services. Meeting arranged with C/Supt Simon Mason on proposal to undertake a SWOT analysis with the newly structured Operations Department. Risk Manager will liaise with Service Review Manager (Risk & Assurance) to enable SWOT activity to be built into the annual compliance activity.	Donald Stone/Lesley Whitehouse 31 December 2015	Yes

Classification of Recommendations	
Fundamental	Action is needed to address risks that could impact on the organisation's ability to achieve its objectives. Action will typically be organisation-wide and be necessary at the highest level. Other fundamental recommendations will be made in regard to potentially serious breaches of statutory obligations.
Significant	Action is needed to address risks that impact primarily on one major business area or to address lower risks on an organisation-wide basis.
Merits Attention	Action is advised to enhance control, remedy minor breaches of current controls or to improve efficiency.

6 Appendix: Assurance Level

Internal Audit assesses the effectiveness of internal control, within the scope of what is audited. This measure is therefore a relative one.

Category	Description
1	Reasonable assurance can be provided that the main risks considered are being effectively managed; action may still enhance the management of risk in a small number of areas. In addition Internal Audit has identified that the approach taken to address risk as representing good practice in this area.
2	Reasonable assurance can be provided that the main risks considered are being effectively managed. Limited management action may be required to address a small number of significant issues.
3	Limited assurance can be provided that the main risks considered are all being effectively managed. Significant management action is required to address some important weaknesses.
4	Inadequate assurance can be provided that the risks identified are being effectively managed. Significant weaknesses have been identified in the risk management action, these are likely to involve major and prolonged intervention by management. These weaknesses are such that the objectives in this area are unlikely to be met.

7 Appendix: Overall Assessment Criteria

Risks in this report have been assessed using the following criteria. It is the same criteria as that used by North Yorkshire Police to assess risk for the Risk Register.

Probability	Highly Probable	Nil	5:7	4:12	2:14	1:16
	Probable	Nil	6:4	5:8	3:13	2:15
	Unlikely	Nil	6:2	6:5	5:10	4:11
	Highly Improbable	Nil	6:1	6:3	6:6	5:9
	Nil	Nil	Nil	Nil	Nil	Nil
		Nil	Negligible	Minor	Significant	Severe
Impact						

Probability	Nil	< 20% Highly Improbably (HI)	20% - 40% Unlikely (UL)	40% - 60% Probable (P)	> 60% Highly Probable (HP)
Impact Categories	Nil	Negligible	Minor	Significant	Severe
Financial (£) - Default - Mandatory	Nil	0 => 100k Increased financial impact less than £100000	100k => 250k Increased financial impact between £100k and £250k	250k => 2.5m Increased financial impact between £250k and £2.5m	2.5m => 3.75m Increased financial impact greater than £2.5m
Reputation	Nil	Negligible adverse publicity. Minimal impact upon public perception	Localised adverse publicity. Minor/transient impact upon public perception of Force or PCC	Criticism at local level. Lasting impact upon public perception of Force or PCC	Intense national media. Criticism at national level
Operational	Nil	Negligible impact upon ability to deliver service and meet Force targets	Minor impact upon ability to deliver service and meet Force targets	Significant impact upon ability to deliver service and meet Force targets	Catastrophic impact upon ability to deliver service and meet Force targets
Legal/Compliance	Nil	Negligible prospect of legal challenge	Minor/Transient prospect of legal challenge	Serious non compliance. Litigation/challenge.	National legal issue.

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Final