



THE POLICE, FIRE AND CRIME COMMISSIONER
FOR NORTH YORKSHIRE AND THE CHIEF
CONSTABLE OF NORTH YORKSHIRE

Risk Management

FINAL

Internal audit report 4.19/20

12 November 2019



CONTENTS

1 Executive summary.....	2
2 Detailed findings.....	5
Appendix A: Scope.....	12
Appendix B: Further information.....	14
For further information contact.....	15

Debrief held	1 August 2019	Internal audit team	Daniel Harris, Head of Internal Audit
Draft report issued	8 August 2019 12 September 2019 25 October 2019		Angela Ward, Senior Manager Philip Church, Client Manager Gregory Barnett, Senior Internal Auditor Hollie Adams, Internal Auditor
Responses received	25 October 2019		
Final report issued	12 November 2019	Client sponsor	Managing Director Deputy Chief Constable Risk and Assurance Manager
		Distribution	Managing Director Deputy Chief Constable Risk and Assurance Manager

1 EXECUTIVE SUMMARY

1.1 Background

As part of the approved internal audit programme for 2019 / 2020, we reviewed the control environment surrounding risk management at The Police, Fire and Crime Commissioner for North Yorkshire and the Chief Constable of North Yorkshire.

At the organisations, there are three categories of risk registers:

- Principal risk register (including risks facing the Police, Fire and Crime Commissioner);
- Strategic risk register; and
- Business as usual (departmental) risk registers.

A risk management system, Active Risk Management (ARM), is in operation at the organisations and centrally co-ordinated by the Risk and Assurance Department. Maintenance of the risk registers is delegated to a list of departmental risk champions who have direct user access to ARM. At the time of our review ARM was being updated and was due to be rolled out throughout the organisations.

In June 2019, the first meeting of the newly formed Risk Performance Group meeting was held. The purpose of this meeting being the oversight of risk management across the organisations, including review of active risks present within the principal and strategic risk registers. The first Risk Performance Group meeting was held on 18 June 2019 and are scheduled to reoccur quarterly. Prior to this, risks were discussed via email between the Risk and Assurance Manager, Deputy Chief Constable, Interim Chief Executive Officer and Head of Organisation and Development.

This review was undertaken during phase one of the Transform 2020 programme (T2020) which aims to aid the organisation to become more flexible, be equipped to respond more effectively and be responsible to the needs of the local community. As a result of the T2020 initiative, there is an expectation that the changes in organisational structure and staffing will have an impact upon the departmental level risk management process for identifying and evaluating the impact of risks. The adaptability of the risk management cycle was therefore included as an aspect of this review.

In addition to Transform 2020, staff previously under the responsibility of the Police, Fire and Crime Commissioner for North Yorkshire were transferred to the Chief Constable under Enabled Services and portfolios / areas of responsibility had changed in the chief officer team.

1.2 Conclusion

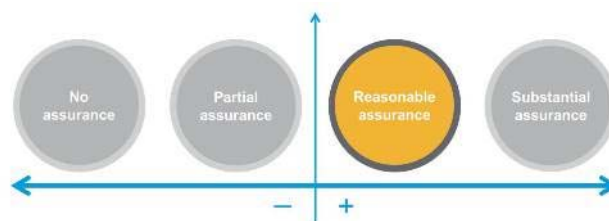
Based upon testing conducted within this review, the organisations can take **reasonable assurance** regarding the control environment surrounding risk management. Whilst risk management arrangements were in place at the organisations, there have been some significant change both in terms of personnel and structure. As such historically risk management as not been reported effectively through the organisations' governance structure and some of the key risk owners had left and respective risks had not been reassigned.

We have acknowledged in our opinion that the Risk Performance Group has recently been established and it will take on responsibility and oversight of the organisations' risk management framework.

Internal audit opinion:

Taking account of the issues identified, the Police, Fire and Crime Commissioner for North Yorkshire and the Chief Constable of North Yorkshire can take **reasonable assurance** that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied.

However, we have identified issues that that need to be addressed in order to ensure that the control framework is effective in managing this area.



1.3 Key findings

The key findings from this review are listed below where we agreed the following **medium** priority areas for improvement:

- From the strategic and principal risk registers, we noted of the 19 total risks, 15 risks were listed as exceeding the specified date for review. **(Medium)**
- We also noted for seven of the 19 total risks, the listed risk owner had departed from the organisations or had changed job role, no longer being the relevant risk owner. **(Medium)**
- Through discussions with the Risk and Assurance Manager, we understand that the principal risk register was a standing item at the Executive Board meetings. As the risk register had not been formally reviewed by the Executive Board, who are best placed to determine the risk profile of the organisations, there is a risk that information reported to the Joint Independent Audit Committee does not reflect the operating environment of the organisations. **(Medium)**
- For two departments selected, our evidence indicated that the most recent health checks performed were over 12 months old, in 2017. If health checks are not made on an annual basis with all departmental risk owners/champions, there is a chance that the risk register will not remain updated or effective for the needs of the organisations. **(Medium)**
- For one of the risks sampled from the strategic risk register, the last departmental risk management meeting occurred six months before the new departmental risk champion was appointed. **(Medium)**

The other findings from this review are as follows:

- We confirmed that the following risk scoring methodology is used within the ARM risk management system. Risks are scored on a 5 x 5 matrix, depending on the probability of occurrence and impact of risk. Through inspection of the risk management area of The Source, we confirmed that the risk scoring methodology guidance was available for risk owners to reference.
- From a population of 12 closed risks from the strategic risk register, we selected a sample of five with the aim to verify whether assurance had been provided through review notes. For all five samples, we confirmed that assurance had been provided explaining the rationale behind the closure of a risk, through attached review notes.
- From a population of eight on-going risks from the principal risk register we selected a sample of five. For all five samples, we confirmed that review notes were documented in the ARM system to explain the on-going status.

For details of the low management actions, please see section two of this report.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
	Low	Medium	High	Low	Medium	High	
Risk Management	0	(9)	7	(9)	2	5	0
Total	2	5	0	0	2	5	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 DETAILED FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management
1	<p>The Risk Management Policy is available through The Source (Intranet).</p> <p>The policy specifies the document owner and future date for review, with reviews required every three years.</p>	Yes	No	<p>We confirmed the Risk Management Policy is available through The Source and that the policy was last updated on 27 July 2018 with a future review date specified of 28 February 2021 and the document owner is specified.</p> <p>We noted the document appears not to have been formally approved by any committee or individual other than the document author: the Risk and Assurance Manager.</p> <p>If the policy is not approved prior to circulation, there is a risk that any amendments made to the prior version have not been reviewed for appropriateness by a secondary authoritative party.</p>	Low	<p>The next Risk Performance Group meeting will ratify the Risk Management Policy and this will be documented within minutes/decision log.</p> <p><u>Implementation Date</u></p> <p>30 November 2019</p>

				Risk exposure	Root cause	Responsible Owner
				<p>The content of Risk Management Policy may not be congruent with aims of the senior management team.</p> <p>This may result in the risk management programme being governed in a way which the senior management team do not agree with.</p>	<p>Risk Management Policy had not been submitted for approval by an authorised body prior to circulation.</p>	<p>Risk and Assurance Manager</p>
2	<p>Risks recorded within the risk registers are assigned residual risk and target risk ratings.</p> <p>Risks are assigned to a responsible individual and a future target date is set to review completion or provide an update towards mitigating the risk.</p>	Yes	No	<p>We obtained copies of the principal and strategic risk registers as at 20 June 2019.</p> <p><u>Principal risk register</u></p> <p>We confirmed that of the eight risks present on the principal register, all eight were assigned a category for residual risk and target risk.</p> <p>We confirmed that all eight risks possessed an assigned owner but noted that two risks were assigned to an owner who departed NYP four months prior to the commencement of this review on ARM. We confirmed the correct risk owners had been included on the paper submitted to the Joint Independent Audit Committee.</p> <p>We noted that all eight risks had exceeded the specified review date by four months on ARM; all risks were assigned the review date of 31 March 2019. Through inspection of the March 2019 and July 2019 submissions to the JIAC, we confirmed that the eight risks present on the principal register had been reviewed with the relevant risk owners. However, when the March 2019 review was conducted by the Risk and Assurance Manager, ARM had not been updated to specify the future review date of July 2019</p> <p><u>Strategic risk register</u></p> <p>We confirmed all 15 risks present on the strategic risk register were assigned to a total of 11 risk owners but noted that three of the owners had departed from NYP and one owner had moved to a different department, therefore no longer being the appropriate risk owner.</p>	Medium	<p>Prior to the presentation to the Risk Performance Group meeting, Joint Independent Audit Committee or the Executive Board, the Risk and Assurance Manager will inspect the following aspects of the principal and strategic risk registers:</p> <ul style="list-style-type: none"> Review whether the listed risk owner is appropriate and still works at NYP and is employed in a position relevant to the attached risk; and Flag where the defined review date is close or been exceeded <p>Where the Risk and Assurance Manager deems any of the above to be incorrect or</p>

We noted that 11 of the 15 risks had exceeded the specified review date:

- Four risks exceeded the review date by six months;
- Two risks exceeded the review date by five months;
- Three risks exceeded the review date by four months; and
- Two risks exceeded the review date by two months.

outdated, this will be followed up with the relevant risk champion.

If necessary, additional risk management training to be provided to risk champions.

Risk exposure	Root cause
Risk registers presented to the Joint Independent Audit Committee and Risk Performance Group meeting do not accurately reflect the current risks posed to the organisations.	Updates on risks had not been documented and recorded by the risk owner in a timely manner.

Implementation Date

30 November 2019

Responsible Owner

Risk and Assurance Manager

3	<p>Risk champions are assigned to each department to update and maintain their departmental risk registers.</p> <p>The list of risk champions is maintained by the Risk and Assurance Department and is available through The Source.</p>	Yes	No	<p>We confirmed that a list of ARM users is available through The Source and that the current list totals 44 users, containing collar numbers and job titles.</p> <p>Through reconciliation back to payroll records, we confirmed 42 users are still in employment at the organisations. One of the outliers (Project Manager for Estates) works as a subcontractor and is therefore not present on the payroll. For the other outlier (Service Delivery Advisor – NEXUS) who departed the organisation in May 2019, we confirmed the NEXUS risk register had been reassigned to another risk champion within the department.</p> <p>Through a reconciliation from payroll records back to the list of departmental risk registers, we noted two of the 25 departments currently has no assigned risk champion; Finance and York/Selby.</p> <p>We understand that there is no defined schedule with which the list is updated or evaluation of whether the assigned risk champion for each department required updating.</p>	Medium	<p>The Risk and Assurance Manager will ensure each departmental risk register has a corresponding assigned risk champion.</p> <p>The Risk and Assurance Manager will also update list of risk champions on an annual basis to reflect departmental transformations.</p> <p>The updated list will be uploaded to The Source.</p>
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We confirmed that ARM training notes were available through The Source for risk champions to reference.

Implementation Date

30 November 2019

Responsible Owner

Risk and Assurance Manager

Risk exposure	Root cause
Reduced clarity regarding which members of staff are responsible for updating / administering departmental risk registers resulting in two departments having no assigned risk champion.	List of risk champions was not maintained to reflect changes in organisational structure / starters / leavers.

4 Yes No

On an annual basis, a member of the Risk Assurance Department meets with the risk champions and department heads for a departmental health check.

A health check schedule is maintained by the Risk and Assurance Department to ensure reviews are performed and content discussed is documented.

Health checks performed

From a population of 25 departmental registers, we selected a sample of five with the aim to verify whether a health check had been performed within the past 12 months.

For three of the sample (joint corporate legal services; crime; and partnership hub), we confirmed that a health check had been performed within the past 12 months.

For the remaining two samples (HR and FCR), our evidence indicated that the most recent health checks performed were over 12 months old, in 2017.

Completeness of schedule

We noted within the health check schedule, 20 of the departmental risk registers had no assigned risk champion and 10 had no listed date of last health check.

We also noted that 11 of the departmental risk registers had no scheduled date for the next health check.

Risk exposure	Root cause
If health checks are not performed, there is an increased risk that	Annual schedule for departmental health checks has not been

Medium

Health checks performed

The Risk Assurance Department will ensure that health checks are completed on an annual basis, as defined within the health check schedule.

Completeness of schedule

The Risk and Assurance Manager will ensure the health check schedule is updated at the start of each year.

The update will include:

- Ensuring the dates of health checks

				departmental risk registers will not be updated or effective.	undertaken within the assigned scheduled.		<p>from the previous year are carried forward;</p> <ul style="list-style-type: none"> Updating the list of named risk champions/ risk owners where necessary; and Suggesting a time of year for Health check to be completed by. <p>When a health check is performed, the completion date will be recorded within the schedule.</p> <p><u>Implementation Date</u></p> <p>30 November 2019</p> <p><u>Responsible Owner</u></p> <p>Risk and Assurance Manager</p>
5	The principal risk register is presented to the Joint Independent Audit Committee (JIAC) by the Risk and Assurance Manager at every meeting (quarterly basis).	Yes	No	<p>We confirmed that the principal risk register was presented to the JIAC on a quarterly basis.</p> <p>Considering JIAC meetings over the past 12 months, we confirmed that the principal risk register and summary was presented and considered at the following meetings:</p>		Medium	<p>The Risk Performance Group will report to the Executive Board on the principal risk register and on any significant changes in the risk profile of the organisations. This</p>

Evidence of review / comment is recorded within minutes.

- May 2019;
- March 2019;
- November 2018; and
- July 2018.

Through discussions with the Risk and Assurance Manager, we understand that the principal risk register was a standing item at the Executive Board. Although we confirmed that principal risk owners are met on a quarterly basis we could not confirm all principal risks had been reviewed by the Executive Board.

shall be in the style of an assurance briefing in relation to live risks.

Implementation Date

30 November 2019

Responsible Owner

Risk and Assurance Manager

Risk exposure	Root cause
Principal risks are not reviewed and challenged at an appropriate level of the organisations.	Strategic risks had not been reported to the Executive Board on a regular basis.

6	<p>Risk and Assurance Department have oversight of frequency of risk management meetings between risk owners and risk champions.</p> <p>Oversight is evidenced through updating of risk registers within Active Risk Manager (ARM) according to an appropriate timeframe.</p>	Yes	No	<p>We selected a sample of four risk owners from the principal and strategic risk registers:</p> <ul style="list-style-type: none"> • Deputy Chief Constable; • Chief Financial Officer; • Detective Superintendent; and • Head of Professional Standards. <p>We were unable to interview the DCC due to availability limitations, therefore no opinion can be drawn on the risks assigned to this officer.</p> <p>Through discussions with the remaining three risk owners, we noted a variance between the structure of departmental risk management meetings between risk owners and risk champions.</p> <p>We noted the risk champion for NEXUS held monthly meetings with risk owners and this was reflected in the strategic register being up-to-date. We also noted that risk management meetings occur between the Chief Financial Officer and the Risk and Assurance Manager on a quarterly basis but this was not reflected within the risk management system, ARM.</p>	Medium	<p>Where it is evident the strategic / departmental risk has not been updated / reviewed within a reasonable timeframe based on the category of risk, this will be brought to the attention of the Risk Performance Group.</p> <p><u>Implementation Date</u></p> <p>30 November 2019</p> <p><u>Responsible Owner</u></p> <p>Risk and Assurance Manager</p>
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However, we also noted there had been no regular risk management meetings for the Professional Standards department since the departure of the previous risk champion in January 2019.

Risk exposure	Root cause
Departmental risk management meetings not occurring regularly, developing risks not being highlighted or discussed, resulting in risk registers not being maintained or kept up-to-date.	Variance between frequency and occurrence of departmental risk management meetings between risk owners and risk champions.

7	There are Terms of Reference in place for the Risk Performance Group.	Yes	No	Through inspection of the Risk Performance Group Terms of Reference document, we noted that the Force health and safety meeting Terms of Reference has been presented within the same document, rather than being treated as an entirely separate Terms of Reference.	Low	<p>The Deputy Chief Constable will update the Risk Performance Group Terms of Reference to exclude details for the Force health and safety meeting.</p> <p>The Force Health and Safety Terms of Reference will be uploaded separately through The Source.</p> <p><u>Implementation Date</u></p> <p>30 November 2019</p> <p><u>Responsible Owner</u></p> <p>Deputy Chief Constable</p>				
				<table border="1"> <thead> <tr> <th>Risk exposure</th> <th>Root cause</th> </tr> </thead> <tbody> <tr> <td>The Risk Performance Group are not focussed on the principal or strategic risks of the organisations.</td> <td>The Terms of Reference of the Risk Performance Group had been amalgamated with organisations health and safety arrangements.</td> </tr> </tbody> </table>	Risk exposure	Root cause	The Risk Performance Group are not focussed on the principal or strategic risks of the organisations.	The Terms of Reference of the Risk Performance Group had been amalgamated with organisations health and safety arrangements.		
Risk exposure	Root cause									
The Risk Performance Group are not focussed on the principal or strategic risks of the organisations.	The Terms of Reference of the Risk Performance Group had been amalgamated with organisations health and safety arrangements.									

APPENDIX A: SCOPE

The scope below is a copy of the original document issued.

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following area:

Objectives of the area under review

The organisations have an adequate and effective process in place to identify and manage both risks and opportunities that support the delivery of the Commissioner's Police and Crime Plan.

When planning the audit, the following areas for consideration and limitations were agreed:

Areas for consideration:

Our review will consider the following areas:

- The risk management strategy / policy and accompanying procedures are regularly reviewed and approved.
- Arrangements are in place and approach taken to identify the key strategic risks facing the organisations and to keep these risks under review on an on-going basis. Furthermore, to consider the alignment between different governance groups in respect of risk matters.
- Identified risks are assessed in accordance with an approved risk matrix to provide priority risks for reporting and mitigating action. This will also include 'horizon scanning' and how the organisations ensure that risks are identified sufficiently in advance to allow appropriate action to be taken.
- As well as the identified risks we will consider how opportunities can be identified, ensuring that they link to strategic objectives and how opportunities are assessed in terms of potential outcome and the potential impact of opportunities missed or not taken.
- Maintenance, monitoring and updating of the principal and strategic risk registers.
- The processes in place for the escalation of risks including escalation from department risk registers, to strategic or principal risks.
- The controls to manage / mitigate risks have been documented and are clear in detail, assigned to nominated persons and a timescale for completion agreed.
- Assurances have been identified (as well as gaps in assurance) and are used to inform the risk management process.
- There is regular reporting of the risk register (s) to senior management and the Commissioner and to the Chief Constable and how this informs decision making. In particular, whether it meets the needs of different levels of management, from operational users through to the Board. We will also include how the reporting mechanism aligns with other performance reporting within the business, i.e. corporate objectives.

Limitations to the scope of the audit assignment:

- The scope of the work will be limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out for this review.
- Any testing undertaken as part of this audit will be compliance based and sample testing only. We will not perform testing to confirm that any mitigating controls that have been identified and recorded on the risk register are actually in place. Similarly, we will not perform any testing to confirm that the sources of assurance that have been identified and recorded are actually in place.
- This review will not comment on whether individual risks are appropriately managed, or whether the organisations have identified all of the risks and opportunities facing it.
- We will not comment on the scores assigned to individual risks, we will only consider whether a scoring mechanism is in place which is fit for purpose and has been consistently applied.
- We do not endorse a particular means of risk management.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

APPENDIX B: FURTHER INFORMATION

Persons interviewed during the audit:

- Risk and Assurance Manager
- Inspection Officer
- Managing Director
- Head of Organisation and Development
- Detective Super Intendant
- Head of Professional Standards
- Chief Financial Officer

Documentation reviewed during the audit:

- Risk Management Policy
- Principal Risk Register
- Strategic Risk Register
- Risk management system (ARM) training notes
- Risk champions contact list
- Risk Performance meeting decision and action Log
- Risk Performance Group Terms of Reference

FOR FURTHER INFORMATION CONTACT

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To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

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