



# Risk Management

## North Yorkshire Fire and Rescue Service

### Internal Audit Report 2020/21

Business Unit: Assurance  
Responsible Officer: Deputy Chief Fire Officer  
Service Manager: Head of Assurance  
Date Issued: 2 March 2021  
Status: Final  
Reference: 45520/011

	P1	P2	P3
<b>Actions</b>	<b>0</b>	<b>2</b>	<b>1</b>
<b>Overall Audit Opinion</b>	Reasonable Assurance		

# Summary and Overall Conclusions

## Introduction

Embedded and effective risk management arrangements are a key organisational control to help support effective decision making.

The North Yorkshire Fire & Rescue Service (NYFRS) maintains a corporate risk register which is a standard agenda item at the Tactical Leadership Team (TLT). The TLT reviews exceptions and approves risk score changes. Risk responsibilities have recently been transferred to the EnableNY heads of function where appropriate, and full risk reviews are in progress.

The corporate risk register is currently spreadsheet based, whereas North Yorkshire Police and the Office of Police Fire Crime Commissioner use a risk management software package. Work is in progress at the service to consider licence and other relevant arrangements to see if the service use existing software or the bespoke software package.

Risk management is an essential element of internal audit. Our annual Head of Internal Audit opinion covers the framework of governance, risk management, and control. Our previous work on risk management in 2018/19 helped to support improvements on target risk scores, increasing the level of detail within action plans on the corporate risk register and improving documenting challenge and communication in the risk management group.

## Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system ensure that:

- Effective policy and governance arrangements manage risk across the service
- Risk registers are up to date, complete and accurate
- Useful and timely information is used to manage current and emerging risks
- Effective mitigating actions help reduce the impact of risks on the organisation

## Key Findings

A risk management policy is in place and outlines the services approach for managing risk. A clear definition for risk, as well as, the objectives of the policy and how the objectives will be achieved are included in the policy.

The risk management policy is somewhat out of date as it does not reflect the working practices across the service. The current governance structure of managing risk through the Strategic Leadership Team (SLT) and Tactical Leadership Team (TLT) is not outlined in the policy. The strategic positioning of risk management within the service and the methods for risk capturing and identification also do not reflect current working practices. The policy has a review date of every 2 years but was not been reviewed in November 2020 which was the next expected

review date. The service is aware a review of the policy is required. The review is due to take place after external risk management training is delivered to members of the SLT and TLT.

An appropriate governance framework is in place to ensure risk is managed at an appropriate level across the organisation. A review of all individual risks on the corporate risk register takes place in advance of TLT meetings, with any amendments receiving review and challenge. The SLT receives exception reports on changes to the corporate risk register with the focus on more strategic risks. We have seen this has resulted in proportionate and effective challenge and communication of the corporate risk register across the SLT and TLT.

The corporate risk register is a live excel document and is stored and accessed through the SharePoint system. As this is a live document there is no automated audit trail for amendments to the corporate risk register. Therefore there is no independent evidence to identify when the corporate risk register has been updated. This may result in amendments to the corporate risk register not being challenged or authorised effectively.

Useful and timely information is being used to management current and emerging risks across the service. To shape and update the risk register frequent horizon scanning, using a large range of information, is performed by risk owners. A review of strategic risks also takes place at SLT meetings. The majority of risk owners and all owners of strategic risks are Heads of Service in EnableNY and have an active oversight of the whole organisation.

Each risk has an action plan of control measures in place to reduce the overall risk score. However, we saw some risk actions plans are not completed, reviewed or updated consistently by risk owners. The action plans for 2 risks (G8 and G10) had not been reviewed and were out of date. A further 4 risks (I3, G6, G7 and G9) did not have action plans with sufficient or complete detail. This may result in control measures being ineffective in reducing the overall risk score.

## **Overall Conclusions**

There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Reasonable Assurance.

# 1 Risk Management Policy

## Issue/Control Weakness

The risk management policy is out of date and does not reflect working practices across the service.

## Risk

The service may employ an outdated approach to managing risk.

## Findings

There is a risk management policy in place which outlines the services approach and objectives for managing risk. The document covers the strategic approach to risk management.

The policy is somewhat out of date as it does not reflect the current governance structure of managing risk through the Strategic Leadership Team (SLT) and Tactical Leadership Team (TLT). The strategic positioning of risk management within the service and the method for risk capturing and identification also do not reflect current working practices.

The policy currently has a review date of every 2 years. However, the policy has not been reviewed in November 2020 in line with the review date. The IRM risk management standard recommends annual review as best practice. This would ensure that all changes to practice and standards are captured within the policy, acknowledging the current working practices.

The service is aware a review of the policy is required. The review is due to take place after external risk management training is delivered to members of the SLT and TLT.

## Agreed Action 1.1

Following external risk management training, the Director of Assurance will now take responsibility for the risk management policy. A revised and update policy will follow by 1st April, to align with the new enable structures.

Please note – this document will be reviewed and updated throughout the year as further enable structures are embedded after due consultation.

<b>Priority</b>	2
<b>Responsible Officer</b>	Head of Assurance
<b>Timescale</b>	1 April 2021

## 2 Corporate risk register

### Issue/Control Weakness

There is no automated audit trail for amendments to the corporate risk register.

### Risk

Amendments to the corporate risk register are not challenged or authorised effectively.

### Findings

The corporate risk register is the primary tool for managing the risks of the service. The register includes all the risks identified by the service, including information about the risk such as the risk score, pre control measure risk assessment, risk action plan and post control measure risk assessment.

The corporate risk register is a live excel document and is stored and accessed through the SharePoint system. Risk owners are expected to review the corporate risk register and the risk action plans in advance of every TLT meeting.

Due to the corporate risk register being stored and maintained as a live excel document through Sharepoint, there is no automated audit trail when an amendment is made to the corporate risk register. Therefore there is no independent evidence to identify that the corporate risk register has been appropriately reviewed and updated.

### Agreed Action 2.1

We're conducting a full review of the risk register which may lead to a complete re-write of our corporate and subsidiary risks. This will be completed through further training and consultation with our insurance provider (currently out to tender).

The software we use is not fit for purpose to fulfil the requirements stated above, which we're aware of and seeking alternative means. This may be a joint venture through enable, or as a standalone system, depending on the timescale involved, in line with the risk register review.

**Priority**

2

**Responsible Officer**

Head of Assurance

**Timescale**

30 September 2021

### 3 Risk action plans

#### Issue/Control Weakness

Some risk action plans are not completed, reviewed or updated consistently.

#### Risk

Control measures are ineffective in reducing the risk score.

#### Findings

For each risk stated on the corporate risk register, there is a 'pre control measure risk assessment' and a 'post control measure risk assessment'. The risk score is based on three factors: likelihood; impact on objective; interdependency. To reduce the risk score between risk assessments, each risk has an action plan of control measures.

Each control measure is assessed and reviewed by the action plan owner. There is also a review date for each of the control measures to assess if they are operating effectively to reduce the risk score stated on the post control measure risk assessment. A further action plan is in place that is the aim to reduce the risk further. The action plan results in an overall target score and date.

We saw that there were action plans in place for every risk. However the action plans for 2 risks (G8 and G10) had not been reviewed and were out of date. A further 4 risks (I3, G6, G7 and G9) did not have action plans with sufficient or complete detail.

The actions detailed in the risk action plans should have sufficient detail to outline how the action will result in a reduction to the risk score once completed. All risk action plans should be reviewed in line with the target dates for each action, as well as being reviewed by the risk owner in advance of TLT meetings. This will enable risk scores to be reduced effectively.

#### Agreed Action 3.1

Risk owner will be informed and bring their risk information up to date. This will continue to be reviewed through the TLT/SLT process. This is linked to action 1.1 and 2.1

**Priority**

3

**Responsible Officer**

Head of Assurance

**Timescale**

1 April 2021

# Audit Opinions and Priorities for Actions

## Audit Opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

## Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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