STAFFORDSHIRE FIRE & RESCUE SERVICES

Risk Management

Internal audit report 3.23/24

Final

20 December 2023

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1. EXECUTIVE SUMMARY

Background

A review of Risk Management has been completed at Staffordshire Fire & Rescue Services (the Service) as part of the 2023/24 approved Internal Audit Plan.

The Service defines risk management as *"the planned systematic approach to identifying, evaluating and assessing risks to achieve risks to achieve continuous improvement and taking decisions to mitigate and minimise the likelihood or impact of those risks in the achievement of organisational objectives".*

Risk Management within the Service is overseen by the Risk Manager who holds responsibility for the Risk Management Framework and co-ordinates the updating of the Strategic and Operational Risk Registers.

The Service's approach to Risk Management is documented within the Risk Management Framework (2022-2024). As part of the Framework update for 2024, the Service plans to introduce a 5x5 risk scoring matrix to further bolster the existing scoring criteria in place. Additionally, a new risk system (JCAD Core) is being implemented which is designed for risk owners to update their assigned risks and upload supporting evidence onto the risk register, without the additional intervention of the Risk Manager. The system will also allow for action owners and implementation dates for each risk action to be recorded and reviewed.

At the time of audit, the Service had eight risks contained within their Strategic Risk Register. Additionally, there are two Operational Risk Registers (Finance and Response) in place.

Conclusion

Our review concluded an established framework is in place for governing Risk Management across the Service. Key controls regarding the identification of risk, updating of risk registers and reporting of risk were found to have been well designed and operating effectively. However, areas of improvement were identified to further enhance the framework in place, which has resulted in the agreement of **two 'medium'** priority management actions.

Internal audit opinion:

Taking account of the issues identified, the Service can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.
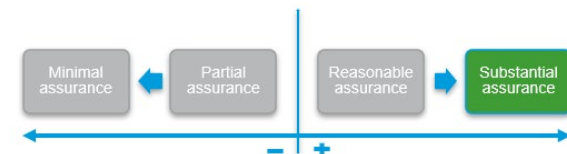
Key findings

The following areas of improvement were identified:

Controls and Mitigating Actions

On review of the risk registers we identified that each risk owner has recorded controls and mitigating actions against each risk. However, three instances were noted where risks within the Strategic Risk Register had the same inherent and residual risk score despite the documentation of controls and mitigating actions. Additionally, through review of Strategic Risk Meeting minutes, we noted that inherent risk scores were not reducing despite corresponding actions for the risks being implemented. **(Medium)**

Three Lines of Defence Assurance

As part of our fieldwork, we noted that the Three Lines of Defence Model has been adopted and incorporated within the Strategic Risk Register. Sufficient detail was found to have been included for first- and second-line defence measures in place. However, we noted the detail documented for third line defences in place could be further enhanced by specifying the relevant third-party agencies providing the relevant assurance and the mediums through which the assurance is being provided. There is a risk of incomplete information resulting in the mismanagement of risks. **(Medium)**

The following elements of the control framework were found to be operating effectively:

Policies and Procedures – Risk Management Framework

We confirmed a Risk Management Framework is in place which sets out the Service's approach to risk management. The Framework is valid from 2022 to 2024 and was found to have been maintained up to date at the time of audit. Our fieldwork confirmed the Framework was reflective of current working practices. The Framework is available to all staff members via the Service's local intranet.

Roles and Responsibilities

Risk management across the Service is overseen by the Risk Manager. Roles and responsibilities have been defined within the Risk Management Framework

Risk Appetite

The Service has a Risk Appetite Statement in place which was last updated in the 2023/24 financial year.

Risk Registers

The Service has a Strategic Risk Register and two Operational Risk Registers (Response and Finance) in place which are updated on quarterly basis.

Horizon Scanning

Regular horizon scanning is completed by the Service to identify upcoming risks. Through review of the Strategic Risk Management Review Meetings (the two most recent), it was confirmed that a horizon scanning report had been presented and discussion had been undertaken for upcoming long-term risks.

Risk Matrix and Risk Score

The Service has adopted a 4x4 risk scoring matrix across all risk registers. Our testing confirmed the methodology had been correctly applied across all registers and risk scores had been accurately calculated. It was noted that as part of the planned revisions, a 5x5 scoring matrix is due to be introduced to further bolster the existing scoring criteria in place.

Risk Owners

Our analysis confirmed, all risks were assigned to an appropriate risk owner. Through review of the Strategic Risk Management Review meeting minutes dated 22 May 2023 and 7 September 2023, we identified that all risks were discussed by the selected risk owner and the correlating risks were updated appropriately.

Directorial and Strategic Risk Meetings

Directorial and Strategic Risk Meetings are held on a quarterly basis. Through review of the meeting minutes, we confirmed that both directorate and strategic risks were discussed at each meeting. Detailed discussion was found to have taken place regarding current and upcoming risks. Two new potential risks were identified as part of the September meeting and had been added to the respective register.

Governance and Escalation

The Risk Manager maintains a Directorial Issues Log. The Manager regularly meets with individual departments to identify upcoming issues which could later translate to formal risks requiring monitoring and management. Any issues deemed to have the potential to become high level risks are documented within the Log and discussed within management meetings with the possibility of being escalated, as appropriate.

Service Delivery Board

We obtained and reviewed the Service Delivery Board (SDB) meeting minutes and confirmed that in each quarterly meeting the Strategic Risk Register has been presented for discussion and for actions to be agreed upon.

2. DETAILED FINDINGS AND ACTIONS

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.

Area: Controls and Mitigating Actions		
Control	Controls and mitigation actions have been documented against each risk to ensure inherent risk is contained in line with the Service's risk appetite.	**Assessment:** **Design** ✓ **Compliance** ✗
Findings / Implications	Through review of the risk registers we identified that each risk owner has recorded both controls and mitigating actions against each risk. However, three instances were noted where risks within the Strategic Risk Register had the same inherent and residual risk score despite the documentation of controls and mitigating actions. Additionally, through review of Strategic Risk Meeting minutes, we noted that inherent risk scores were not reducing despite corresponding actions for the risks being implemented. Through discussion with the Risk Manager, it was confirmed that additional training is due to be delivered to the risk owner on risk scoring following the implementation of the 5x5 scoring matrix and JCAD Core System. There is a risk of inefficiencies as the Service should ensure that resource being used on control measures are actively working to reduce inherent risk scores.	

Management Action 1	The Service will review the scoring applied to risks with the same inherent and residual risk scores to ensure the scoring and documented controls and mitigations are accurate and complete.	**Responsible Owner:** Risk Manager	**Date:** 31 March 2024	**Priority:** Medium

Area: Risk Assurance – Three Lines of Defence			
Control	A three lines of defence assurance model has been adopted for the Strategic Risk Register. Documented assurances are regularly updated to ensure the reliance placed by the Service on documented assurances are valid and up to date.	**Assessment:** **Design** **Compliance**	 ✓ ×
Findings / Implications	Through review of the Strategic Risk Register, it was confirmed that a three lines of defence assurance model had been applied to all risks. However, we noted a lack of specific detail recorded for the 'third line' assurances. For all eight strategic risks on the Strategic Risk Register, the following had been noted for third line asssurances: 'HMIFRS Inspection External Audit'. There are additional third line assurance mediums being utilised by the Service which have not been documented such as Internal Audit and other external providers. There is a risk of incomplete information resulting in the mismanagement of risks.		
Management Action 2	The Service will review the third line of defence section on all risk registers to ensure the documented assurances are specific, up to date and reflect the assurance received (i.e positive or negative).	**Responsible Owner:** Risk Manager	**Date:** 31 March 2024 **Priority:** Medium

APPENDIX A: CATEGORISATION OF 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 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, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Area	Control design not effective*	Non Compliance with controls*	Agreed actions		
			Low	Medium	High
Risk Management	0	2	0	2	0
Total			**0**	**2**	**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.

APPENDIX B: 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 objective:

Objective of the risk under review
An effective framework is in place for risk management to ensure strategic objectives are met.

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

The audit will consider the following;

- Governance – the processes in place to define and capture the risk appetite of the organisation, in particular, the linking of appetite to corporate objectives, identification and specifically the distinction and linkage between strategic and operational risks, and roles and responsibilities of risk owners.

- Risk identification – the avenues in which risks are identified and the frequency of identification, whether there is an assessment of cause and effect for risks, whether risks are linked to strategic objectives, and whether risk and identification is embedded within organisation's operational activities. This will also include 'horizon scanning' and how the organisation ensures that risks are identified sufficiently in advance to allow appropriate action to be taken.

- Risk assessment – a review of how risks are scored, whether there are clearly defined definitions for impact and likelihood, and whether scoring methodology was consistently applied.

- Risk mitigation – a review of existing mitigations and actions, whether these are efficient and effective and whether these are likely to achieve the required outcomes.

- Assurance – whether there are assurance mechanisms in place which are linked to mitigations and reported upon to relevant recipients at the appropriate frequency. The focus will also consider the role of the in-house team that completes assurance-based work to understand how the scope of coverage is determined, how the outcome of the work is reported and its effectiveness to the organisation.

- Monitoring and reporting – the frequency and level of risk reporting 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. This will also include how the reporting mechanism aligns with other performance reporting within the business.

Limitations to the scope of the audit assignment:

- This review will not confirm that the organisation has identified all 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 will not perform testing to confirm that mitigating controls identified and recorded on the risk registers are actually in place

- We will not perform testing to confirm that sources of assurance identified and recorded are actually in place

- Our work does not provide assurance that material error, loss or fraud do not exist.

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Responses received	20 December 2023		
Final report issued	20 December 2023	**Client sponsor**	Victoria Adams, Strategic Risk Manager
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RSM post-engagement survey

We thank you again for working with us.

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