



MANAGEMENT AUDIT UNIT

CUMBRIA POLICE INTERNAL AUDIT REPORT

RISK MANAGEMENT ARRANGEMENTS

Draft Report Issued: August 2006
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1.0 INTRODUCTION

- 1.1 A review of risk management arrangements was previously carried out in February 2005. This report reviews progress made in implementing and embedding risk management since then.
- 1.2 At the date of the last review, the Constabulary had established a Risk Management Strategy Implementation Plan which clearly set out actions required up to March 2007, with key milestones. One of the objectives within this was to self-assess all work done up to 30 June 2006. As concerns had been expressed by management about the way risk management was developing and as it was expected that Cumbria and Lancashire Police were to merge, it was decided to bring forward this self-assessment to January 2006. An independent consultant was appointed to carry out the assessment and a report on risk management was received and considered by the Chief Officer Group in June 2006.
- 1.3 The recommendations in the independent consultant's report have been accepted and the SRG met in July to take forward their practical application. At about the same time, the expected merger between Cumbria and Lancashire Police was cancelled, so Cumbria Police will need to take forward risk management itself rather than as part of a merged force.
- 1.4 The recommendations made in this report are graded in accordance with their perceived importance. The grading falls into the following categories:
 - Grade 1: Major recommendation that indicates a fundamental control weakness that must be addressed.
 - Grade 2: Recommendation which should be addressed in order to establish a satisfactory level of internal control.
 - Grade 3: Minor recommendation made to improve the system under review.
- 1.5 Recommendations to this report are included as Appendix 1 – Summary of Recommendations & Action Plan.

2.0 OVERALL EVALUATION & CONCLUSION

- 2.1 **The evaluation of controls is based on testing carried out at the time of the audit, usually based on sampling. Management Audit assesses the controls operating in each audited area as 'good', 'satisfactory', 'fair' or 'weak'. This assessment is based on the number and grading of recommendations made. Overall risk management arrangements are assessed as Satisfactory.**
- 2.2 **Progress has been made on risk management since February 2005 but some areas were deferred pending the expected merger with Lancashire, which has now been cancelled. The Constabulary decided that its risk management arrangements required a review by a specialist independent consultant and a report was accepted by COG in June 2006. The approach to risk management is being amended in the light of the consultant's report, and the SRG is taking this forward.**
- 2.3 **This report focuses on specific control objectives set out in the Audit Commission's Use of Resources approach and follows up on outstanding areas from the last internal audit review. It is intended to be complementary to the independent consultant's review.**

3.0 FOLLOW UP TO PREVIOUS AUDIT RECOMMENDATIONS

- 3.1 The previous review of risk management, carried out in February 2005, was a follow up review to a previous report by the Audit Commission. In particular, progress against 7 recommendations made by the Commission were reviewed. The outstanding issues at February 2005 were as follows:

Issue	Progress made since February 2005
Operations Board to nominate officer to sit on SRG	Operations Board has been represented on SRG during 2005/06.
PA member to attend SRG	Christine Egan was nominated as PA lead member and has attended SRG.
Risk registers to be prepared for the three Management Boards	Registers prepared for RSB and ODP Board. Operations Board register not completed.
Control strategies for individual risks to be completed	All risks on the existing registers had Risk Assessment Records which set out the event and consequences, the risk score before controls applied (gross risk), and the risk score after controls applied (net risk). The controls were fairly high-level/general and this aspect has been referred to in the consultant's report.
A system for evaluating the effectiveness of the control strategies should be established	This is reviewed as a standing item at the three management Boards and by the SRG.
A system for ensuring that risks identified in individual BCU/Area plans are properly reflected in Board/Strategic risk registers should be established	Boards review and approve business plans for their areas of responsibility and risks are picked up as part of this.
PA risk register to be completed and approved	Not progressed – see details in report.
Formal report to COG and PA giving assurance that major risks being managed	Not progressed – see details in report
Risk Strategy Action Plan to be put into practice	Some areas of the Action Plan were deferred pending the consultant's report, but generally progress has been made. Specific areas for development: <ul style="list-style-type: none"> • Support function for risk management • Performance indicators to be collected and reported to SRG quarterly

4.0 AUDIT SCOPE

- 4.1 It was agreed with the Audit Commission to evaluate risk management arrangements based on the control objectives included in the Audit Commission Use Of Resources KLOE (Key Lines Of Enquiry) on this area. The KLOE's attribute one of 3 levels to each control objective – these range from Level 2 (basic controls) to Level 4 (enhanced controls). In Section 5 of this report, the control objectives are all Level 2, unless otherwise stated.
- 4.2 Discussions were held with Andrew Dobson (Director of Legal Services) and Clive Alcock (Clerk and Chief Executive to the Police Authority) during May 2006 to ascertain progress. A further meeting was held with Christine Egan, who is the Police Authority lead member on risk management, in July 2006. Documentation was reviewed which showed that the approach to risk management is being developed. During the course of the audit, the merger with Lancashire was cancelled, and the Police agreed to review its approach to risk management, based on an independent consultant's report.

5.0 DETAILED FINDINGS & RECOMMENDATIONS

CONTROL OBJECTIVE	COMMENT	EVALUATION	REC. REF.
<p>The authority and force have adopted risk management strategies/policies. The authority policy/strategy has been approved by authority members.</p> <p>The business risk management process is reviewed and updated at least annually (Level 3)</p> <p>A senior officer and member jointly champion and take overall responsibility for embedding business risk management throughout the authority and the force (Level 4)</p>	<p>The Constabulary risk management policy and strategy were approved by the Constabulary Resourcing & Standards Board in February 2005. The Policy is currently being reviewed. There is no separate policy/strategy for the PA, and it has not approved the policy or strategy. Instead, a lead member sits on the Strategic Risk Group (SRG) which is now responsible for this area.</p> <p>The strategy covers the period 2004 to 2008 and includes a 19-point action plan, which has been converted into an Implementation Plan. The Strategic Risk Group (SRG) monitors progress against the Plan. The risk management strategy is currently being reviewed.</p> <p>The Deputy Chief Constable acted as Chair for the SRG until July 2005. Subsequent meetings have been chaired by the Constabulary Risk Co-ordinator and the Acting Assistant Chief Constable (P Kirkbride reverted to Detective Chief Superintendent from 28 June 2006). A Police Authority Member has been appointed to lead on risk management and she also attends the SRG.</p>	<p>Satisfactory</p>	

CONTROL OBJECTIVE	COMMENT	EVALUATION	REC. REF.
<p>Strategy and policy require authority and force to</p> <ul style="list-style-type: none"> • Identify policing and operational risks; • Assess risks for likelihood and impact; • Identify mitigating controls; • Allocate responsibility for mitigating controls • Involve professional standards. <p>Business risk management process specifically identifies risks in relation to partnerships and provides assurances to be obtained about management of those risks (Level 3)</p> <p>The authority and force can demonstrate that it has embedded business risk management in its corporate business processes, including:</p> <ul style="list-style-type: none"> • Strategic planning; • Financial planning; • Policy making and review; • Performance management (Level 4) 	<p>Y – Strategy requires SRG to consider “risks with corporate consequences”. The 3 Boards and DMT’s consider “local or operational risks”.</p> <p>Y – Impact and likelihood to be included in risk registers</p> <p>Y – Control strategies to be developed and integrated into departmental planning.</p> <p>Y – Risk owners to be identified for each major risk.</p> <p>Y – The Head of PSD has been involved in developing the approach to risk management.</p> <p>No specific reference to partnership risks – this area should be developed.</p> <p>Strategic planning – risks are considered. At a strategic level this was well demonstrated by the use of a Programme Risk Register for work on the merger with Lancashire.</p> <p>Financial planning – good evidence of risk assessment as part of annual budget review and for capital expenditure proposals.</p> <p>Policy development includes consideration of risk</p> <p>Risks are routinely considered as part of project management. Reports include issues and risks which are considered by the Programme Management Working Group and minutes of this Group are received by the Police Authority.</p> <p>Risks are not specifically included in performance reports to A&P Committee. The need to link risk management to the achievement of “target objectives and performance standards” was recommended in the independent consultant’s report, and this will be considered at future PDC’s.</p>	<p>Satisfactory</p>	<p>R1</p>
RECOMMENDATIONS			
R1	Specific consideration should be given to identifying and managing risks arising from working in partnership with other organisations (Grade 2)		

CONTROL OBJECTIVE		COMMENT	EVALUATION	REC. REF.
The authority and force maintain and review registers of corporate business risks, linking them to strategic business objectives and assigning ownership to each risk.		<p>Constabulary – A strategic risk register is maintained along with registers for 2 of the 3 management boards. No risk register was in place for the Operations Board during 2005/06.</p> <p>Authority – A first draft of a risk register was prepared by the Clerk & Chief Executive of the PA in January 2005. This was not developed pending finalisation of the Constabulary's register. As a result of the Police Authority Self-assessment and Improvement Framework (PASAIF) and an away day on this, a PA risk management working group was agreed by the PA in November 2005. The formal establishment of this group was deferred once the merger with Lancashire was agreed.</p> <p>As the merger has now been cancelled, the PA's role in risk management is being reconsidered. A joint Constabulary/PA Strategic risk register has been proposed. This would be informed by the 3 Constabulary management boards, and a fourth new board, comprising PA members.</p>	Fair	R2
RECOMMENDATIONS				
R2	The Operations Board should prepare a risk register and ensure that identified risks are scored and appropriate risk controls put in place (Grade 1)			
R3	The approach to collating a new strategic risk register, which gives due consideration to PA risks, should be agreed at the earliest opportunity (Grade 1)			

CONTROL OBJECTIVE	COMMENT	EVALUATION	REC. REF.
<p>There is a committee/group with specific responsibility included in its terms of reference to consider corporate risk management.</p> <p>All appropriate staff are given relevant training and guidance to enable them to take responsibility for managing risk within their own working environment (Level 3)</p> <p>The authority members and officers with specific responsibility for business risk management have received risk management awareness training (Level 3)</p> <p>All appropriate authority members and officers have received business risk management training (Level 4)</p>	<p>The SRG fulfils this role and met as follows in 05/06 – May 05, Jul 05 and Oct 05. There was then a gap until April 06, when the consultant's report was considered.</p> <p>The latest meeting on 12 July 06 addressed the practical implementation of changes agreed following the report.</p> <p>Training was provided in September 2005 but further guidance is required. It is planned that the consultant will attend the PDC in October 2006 to deliver this to senior managers.</p> <p>The PA lead member and some senior managers have received training. All managers who attend the October PDC will receive training.</p> <p>Further training is required for other PA members who will be members of the PA group on risk management.</p>	<p>Satisfactory</p>	<p>R4</p>
RECOMMENDATIONS			
<p>R4</p>	<p>Based on the revised risk management arrangements, a training needs analysis should be completed to ensure that comprehensive and relevant training is provided to all those that require this, including Police Authority members (Grade 2)</p>		

CONTROL OBJECTIVE	COMMENT	EVALUATION	REC. REF.
<p>Reports to support strategic policy decisions, and project initiation documents, include a risk assessment.</p> <p>The member committee with responsibility for business risk management receives reports on a regular basis, and takes appropriate action to ensure that corporate business risks are being actively managed, including reports to the full authority as appropriate (Level 3)</p>	<p>Risk assessments are produced for financial decisions (for example on budget, capital bids) and for monitoring major projects. Risk management was also regularly considered as part of the proposed amalgamation workstreams.</p> <p>The Audit & Performance Committee has not received any reports on risk management, to date, but the full Police Authority receive minutes from the Programme Management Unit Member Working Group, and the lead Member is available to answer queries on these (including management of risks), if required.</p> <p>There is also a Project Board for the Durrhill Building Project, which has its own risk register. Again, minutes of meetings (including management of risks) are received by the full Police Authority.</p> <p>A Business Continuity Working Group has also been established and a Lead Member will be formally appointed to this in due course.</p> <p>A process for Members to consider management of risks relating to major projects is therefore in place, but this could usefully be extended to cover assurance on other business risks.</p>	<p>Fair</p>	<p>R5</p>
<p>The authority and force considers positive business risks (opportunities) as well as negative risks (threats) (Level 4)</p>	<p>The risk assessment process focuses on potential threats to achieving the organisation's objectives and how these will be reduced/managed by applying appropriate control strategies. Opportunities are considered as part of the annual review of the budget, when growth bids are requested and also as part of routine efficiency planning. A key aspect of the recent merger work has been identifying opportunities for more effective ways of working.</p>	<p>Satisfactory</p>	
RECOMMENDATIONS			
<p>R5</p>	<p>The process to assure Members that major risks are being effectively managed, should be further developed, by introducing regular reports from the Strategic Risk Group to the full Police Authority. (Grade 1)</p>		

SUMMARY OF RECOMMENDATIONS & ACTION PLAN
(TO BE COMPLETED BY POLICE HQ)

REPORT REFERENCE	GRADE	RECOMMENDATION	ASSOCIATED RISK	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R1	2	Specific consideration should be given to identifying and managing risks arising from working in partnership with other organisations	Risks associated with partnership working are uncontrolled	Superintendent Partnerships	Identify the various partners of Cumbria Constabulary. Identify the key strategic aims of the partnerships and how those aims are met. Thereafter the risks to achieving these aims are to be identified and included within the relevant risk register.	January 07
R2	1	The Operations Board should prepare a risk register and ensure that identified risks are scored and appropriate risk controls put in place	Key risks of operational policing not managed	ACC Operations	Risk register to be prepared following PDC on 23 rd October 2006	December 06/January 07
R3	1	The approach to collating a new strategic risk register, which gives due consideration to PA risks, should be agreed at the earliest opportunity	Strategic risks not agreed or managed	Clerk & Chief Executive to the PA and Deputy Chief Constable	The Constabulary and Police Authority are to review and collate their own respective strategic risk registers following PDC on 23 rd October 2006. A process will then be developed to ensure that the Constabulary and Police Authority consider each others risks when managing their own.	January 07
R4	2	Based on the revised risk management arrangements, a training needs analysis should be completed to ensure that comprehensive and relevant training is provided to all those that require this, including Police Authority members	Ineffective risk management as relevant skills not in place	Director of Personnel and Development	Undertake an assessment of training provided to date and to whom. Thereafter undertake a training needs analysis in respect of future training. This will look at who needs training and the level of that training.	January 07

SUMMARY OF RECOMMENDATIONS & ACTION PLAN (CONTINUED)
(TO BE COMPLETED BY POLICE HQ)

REPORT REFERENCE	GRADE	RECOMMENDATION	ASSOCIATED RISK	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R5	1	The process to assure Members that major risks are being effectively managed, should be further developed, by introducing regular reports from the Strategic Risk Group to the full Police Authority	Members not fully aware of risk management by Constabulary	Deputy Chief Constable	Establish quarterly or half yearly reporting to the Police Authority	December 06

ACTION PLAN AGREED BY:	Andrew Dobson, Director of Legal Services	DATE:	23 August 2006
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