Northern Ireland
Fire & Rescue Service

Corporate Risk Management Strategy

March 2014

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Related Policy Documents

- NIFRS Assurance Framework Policy; and
- NIFRS Corporate Risk Management Policy & Procedure.

FOREWORD

Risk management is an important aspect of all our lives. As an organisation NIFRS are exposed to risk both in terms of threats to service provision and from the potential of lost opportunities.

It is therefore essential that Northern Ireland Fire & Rescue Service (NIFRS) can demonstrate to citizens that we are fully considering the implications of risk as we deliver our business for the benefit of the residents of our community.

Ultimately, effective risk management will help to ensure that NIFRS maximises its opportunities, and minimises the risks it faces, thereby improving our ability to deliver our priorities and improve outcomes.

STATEMENT OF COMMITMENT

Whilst NIFRS is bound by legal obligations to provide for the health and safety of its Board Members, employees and those that it serves, it is also obliged to protect its material assets and to minimise its losses and liabilities.

NIFRS acknowledges that some risks (hazards) will always exist and residual risk will never be fully eliminated, however NIFRS is committed to adopting best practice in the identification, evaluation and cost effective control of risks to ensure that:

(i) they are reduced to an acceptable level or eliminated; and
(ii) opportunities to achieve NIFRS' objectives and the delivery of core service provision, are maximised.

NIFRS' Risk Management Objectives are a long term commitment, an inherent part of good management and governance practices, and in order to succeed the Risk Objectives must have the full support of Board Members and be supported by the active participation of Managers.

With this in mind all employees must understand the nature of the risks and accept responsibility for risks associated with their area of work and in doing this they will receive the necessary support, assistance and commitment from Senior Management and Board Members.

1 INTRODUCTION

Corporate Governance

1.1 'Corporate Governance' is the system by which an organisation is directed and controlled, at its most senior levels, in order to achieve its objectives and meet the necessary standards of accountability, probity and openness.

1.2 In its simplest form it is about what the NIFRS Board does, and how it sets its mission, vision & values.

1.3 Feeding through all management levels within the organisation, internal control is fundamental to the management of risk, with a sound system of internal control which depends upon thorough and regular evaluation of the nature and extent of risks that the organisation is exposed to.

Why Manage Risk?

1.4 In determining organisational priorities for NIFRS, both the operational and business environments should be scanned to determine what needs done and why.

1.5 This scanning process will culminate in the generation of a project/process wish list which then must be risk assessed in terms of the likelihood of failing to deliver core services and the impact to service delivery if the process/project is not delivered.

1.6 Financial resources will then be assigned to highest risk processes/projects, in the first instance, to ensure an efficient resource allocation towards an effective service delivery.

1.7 Through understanding risks, decision-makers will be better able to evaluate the impact of a particular decision or action on the achievement of NIFRS' objectives thus ensuring:

- Achievement of Corporate Aims & Objectives;
- Efficient, effective and Value for Money service delivery; and
- The development of a culture of Innovation.

Risk Management Strategy

1.8 The purpose of this document is to outline an overall approach to corporate risk management that addresses the risks facing NIFRS in pursuing its mission, vision and aims and which will facilitate the effective recognition and management of such risks going forward.

1.9 In line with the Corporate Governance best practice principles outlined in the Cadbury and Turnbull reports, NIFRS must now disclose the existence of a process for identifying, evaluating and managing risk whilst ensuring that the process is regularly reviewed for continuing relevance and effectiveness.

1.10 Risk management should be embedded within the daily operation of NIFRS, from strategy formulation through to business planning and processes.

1.11 The Risk Management Strategy does not focus upon risk avoidance but on the identification and management of an acceptable level of risk.

1.12 NIFRS' Risk Management Policy Statement, as detailed in the Risk Management Policy, states that:

"Risk Management is the process of identifying significant risks to the achievement of the organisations Strategic Objectives, evaluating their potential consequences and implementing the most effective way of controlling them"

2 CORPORATE RISK MANAGEMENT STRATEGY - OVERVIEW

2.1 The NIFRS' Risk Management Strategy aims to:

- Ensure compliance with legal and regulatory requirements as a minimum standard;
- Integrate risk management into the culture of NIFRS;
- Manage risk in accordance with best practice whilst ensuring best value;
- Reduce the overall cost of risk;
- Anticipate and respond to changing social, political, environmental, technological and legislative requirements;
- Prevent injury, damage and losses to stakeholders, employees and property; and
- Raise awareness of the need for risk management by all of those connected with NIFRS' delivery of services

2.2 This will be achieved by:

- Establishing clear roles, responsibilities and reporting lines within NIFRS for risk management;
- Embedding risk management into NIFRS' decision making process, service delivery, project management and partnership working;
- Providing opportunities for training and shared learning on risk management across NIFRS, including Board Members and partners;
- Offering a framework to identify priority risk areas, including the provision of risk registers at strategic and operational levels;
- Reinforcing the importance of effective risk management as part of the everyday work of employees;
- Incorporating risk management considerations into all levels of service planning;
- Monitoring of arrangements, at all levels, on an ongoing basis by management;
- Identification and evaluation of risks associated with partners, contractors and other agencies and community groups;
- Ensuring robust Business Continuity arrangements are in place; and
- Implementing best practice risk management arrangements in accordance with the core Controls Assurance Standards.

<u>Cost/Benefit of a Risk Management Strategy</u>

2.3 The Risk Management Strategy provides assurances to Board Members and Management on the adequacy of arrangements for the conduct of business and the use of resources. The implementation of the strategy leads to a greater risk awareness and improved control environment, which should mean fewer incidents and other control failures.

2.4 The risk management process contributes to improved decision making, and the process of achieving objectives. When embedded within the existing planning and decision making process, risk management:

- Provides basis for ensuring implications are thought through;
- Ensures that the impact of decisions, initiatives and projects are considered and that conflicts are balanced; and
- Ensures that costs attributable to control failures are minimised.

3 CORPORATE RISK RESPONSIBILITIES

3.1 The variety of risks NIFRS is exposed to is such that a multi-layered approach is required to ensure full integration of the risk management culture into all levels of the organisation.

3.2 The NIFRS Board through the Audit & Risk Management Committee has a responsibility to ensure the implementation of appropriate risk management structures and processes, and to provide sufficient resources to meet agreed objectives.

3.3 Board Members, Directors, Managers and Staff have responsibility for identifying and reporting significant risks to the Accounting Officer through the Performance Management Unit.

3.4 In addition, Directors and Senior Managers have a specific responsibility for ensuring that all significant areas of the business under their stewardship are subject to formal risk assessment and risk management processes as outlined in the Corporate Risk Management Policy. This will require all corporate and business objectives, systems and operations to be formally reviewed quarterly.

3.5 In line with the NIFRS Assurance Framework, a Corporate Risk Management Group (CRMG) encompassing the Corporate Management Team (CMT) along with staff from the Performance Management Unit should be established and meet at least quarterly.

3.6 CRMG will review areas of risk recorded on the Corporate Risk Register, agree actions to mitigate risk in line with NIFRS' risk appetite and assess the assurances in place.

3.7 The role of the Corporate Risk Management Group is to ensure all known corporate risks are fully captured; to challenge decisions made regarding risk management/mitigation; and to prioritise/re-prioritise actions to mitigate risk in line with available resources.

3.8 On behalf of the Corporate Risk Management Group and in line with the NIFRS Assurance Framework, the Director of Planning & Corporate Affairs will report to and attain Audit & Risk Management Committee approval with regard to process for detected risks; proposed remedial actions to mitigate risks; prioritisation/re-prioritisation decisions; and risk appetite.

3.9 Once the process has been challenged and approved by the Audit & Risk Management Committee, a report on high level risks will be forwarded to the NIFRS Board for consideration in line with the NIFRS Assurance Framework.

4 CORPORATE RISK MANAGEMENT – AN OVERVIEW

4.1 Risk is defined as the uncertainty of outcome, whether positive opportunity or negative threat, of actions and events and is assessed in terms of the likelihood of something happening, and the impact which arises if it does actually happen. (HM Treasury Orange Book)

4.2 Good risk management is about identifying what might go wrong; what the consequences might be of something going wrong; deciding what can be done to reduce the possibility of something going wrong; and then if it does go wrong making sure that the impact is kept to a minimum.

4.3 Risk management should ensure that an organisation makes cost effective use of a risk framework that has a series of well-defined steps. The aim being to support better decision making through a good understanding of risks and their likely impact.

4.4 Risk management should be a continuous and developing process which runs throughout the organisation's strategy and the implementation of that strategy, methodically addressing all risks surrounding NIFRS' activities past, present and future.

<u>Range of Risks</u>

4.5 NIFRS is faced with both strategic/corporate and operational/service risk that could impact on the achievement of its long-term and day to day delivery of services.

- **Political** – those associated with the failure to deliver either local or central government policy;
- **Financial** – those affecting the ability of NIFRS to meet its financial commitments; failure of major projects; internal and external audit requirements; failure to prioritise and allocate resources effectively; poor contract management; initiative overload;
- **Social** - those relating to the effects of changes in demographic, residential, or socioeconomic trends on NIFRS' ability to deliver its corporate priorities;
- **Technological/Legal** – those associated with the capacity of NIFRS to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. It would also include consequences of internal failures on NIFRS' ability to deliver its objectives. The ability to meet legislative demands effecting breaches of legislation (UK & EU);
- **Environmental –** those relating to the environmental consequences of progressing NIFRS' strategic objectives in terms of energy efficiency, pollution, recycling, landfill requirements and emission;
- **Partnerships/contractual –** those associated with the failure of partners/contractors to deliver services to an agreed cost and specification: compliance with procurement policies (internal/external); ensuring open and fair competition;

- **Human Resources –** those associated with professional competence of staff; lack of training and development; over reliance on key personnel; ineffective change/project management; recruitment and selection issues;
- **Organisational –** those associated with the review of service and delivering continuous improvement;
- **Health & Safety/Physical –** those related to fire, security, accident prevention and health & safety which pose a risk to both staff and the public; safeguarding and accounting for physical assets; and
- **Reputational –** those associated with the changing needs of customers; ensuring appropriate consultation; avoiding bad public and media relations.
- **Professional** – those associated with the particular nature of each profession e.g. the Human Rights Act.

5 NIFRS' CORPORATE RISK MANAGEMENT OBJECTIVES

5.1 NIFRS is committed to establishing and maintaining a systematic approach to the identification and management of risk.

5.2 NIFRS' risk management objectives are to:

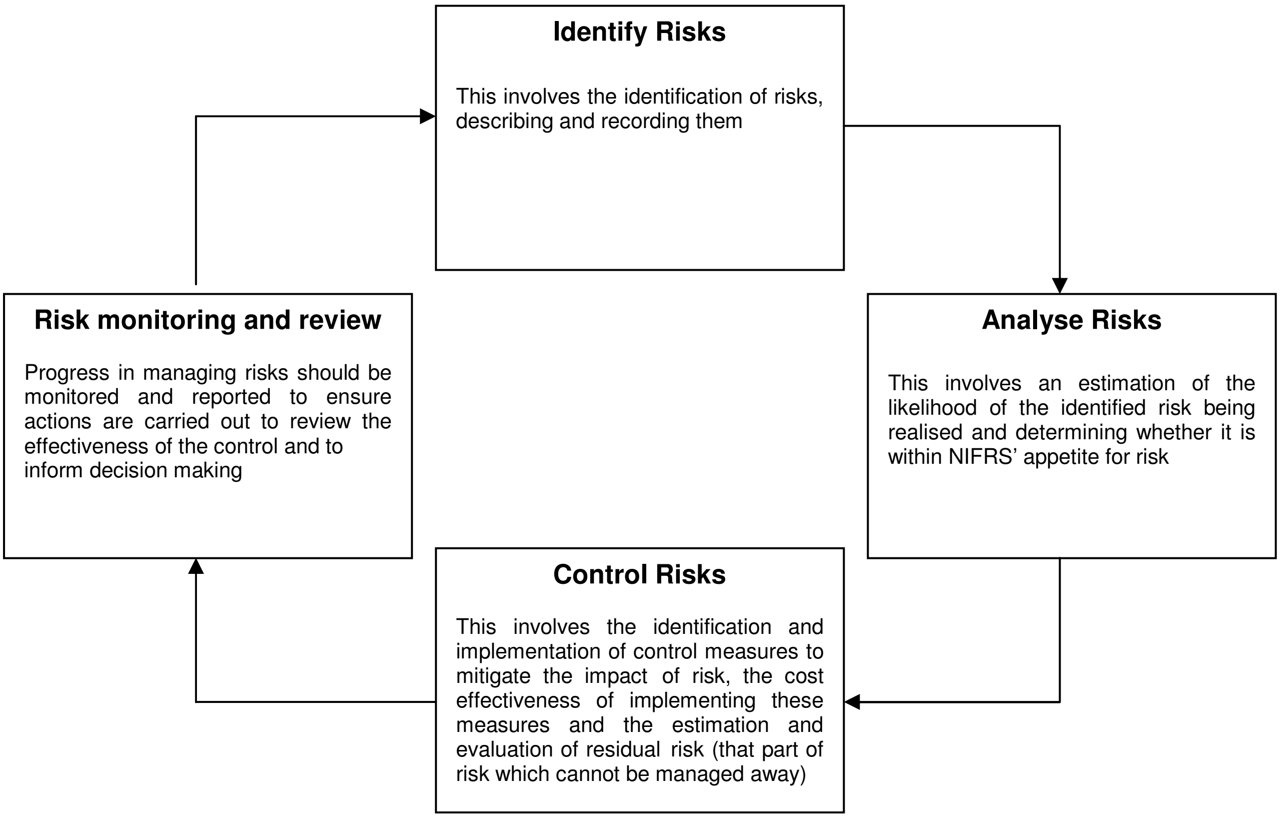
- Ensure that risk management is clearly and consistently integrated and evidenced in the culture of NIFRS;
- Manage risk in accordance with best practice;
- Anticipate and respond to changing social, environmental and legislative requirements;
- Consider compliance with health and safety, insurance and legal requirements as a minimum standard;
- Prevent death, injury, damage and losses, and reduce the cost of risk;
- Inform policy and operational decisions by identifying risks and their likely impact; and
- Raise awareness of the need for risk management by all those connected with NIFRS' delivery of service.

5.3 These objectives will be achieved by:

- Clearly defining the roles, responsibilities and reporting lines within NIFRS for risk management;
- Including risk management issues when writing reports and considering decisions;
- Continuing to demonstrate the application of risk management principles in the activities of NIFRS, its employees and Board Members;
- Reinforcing the importance of effective risk management as part of the everyday work of employees and Members;
- Maintaining a register of risks linked to NIFRS' business, corporate and operational objectives, also those risks linked to working in partnership;
- Maintaining documented procedures of the control of risk and provision of suitable information, training and supervision;
- Maintaining an appropriate system for recording health and safety incidents and identifying preventative measures against recurrence;
- Preparing contingency plans to secure business continuity where there is a potential for an event to have a major impact upon NIFRS' ability to function; and
- Monitor arrangements continually and seek continuous improvement.

6 CORPORATE RISK MANAGEMENT PROCESS

6.1 NIFRS is committed to establishing a systematic and consistent approach to risk identification, analysis, control, monitoring and review.



<u>Identifying & Assessing Risks</u>

6.2 In order to manage risk, an organisation needs to know what risks it faces, and to evaluate them.

6.3 Identifying risks is the first step in building the organisation's risk profile and can be separated into two distinct phases:

- initial risk identification (for an organisation which has not previously identified its risks in a structured way, or for a new organisation, or perhaps for a new project or activity within an organisation); and
- continuous risk identification which is necessary to identify new risks which did not previously arise; changes in existing risks; or risks which did exist, ceasing to be relevant to the organisation (this should be a routine element of the conduct of business).

6.4 Within NIFRS, risk self-assessment is the primary method of assessing risks.

6.5 Using risk self-assessment, each level and part of the organisation is invited to review its activities (current and emergent) and to contribute its diagnosis of the risks it faces, resulting in better ownership of risks.

6.6 There are three important principles for assessing risk:

- ensuring that there is a clear structured process in which both likelihood and impact are considered for each risk;
- recording the assessment of risk in a way which facilitates monitoring and the identification of risk priorities; and
- clearly outlining the difference between, inherent and residual risk.

6.7 Risk is assessed in line with section 3 of the NIFRS Corporate Risk Management Policy. Assessment focuses on the likelihood of objectives not being achieved and the impact organisationally should the objectives not be achieved.

6.8 When the assessment is then compared to the risk appetite, the extent of action required becomes clear.

6.9 Risk assessment should be documented in a way which records the stages of the process. Documenting risk assessment creates a risk profile for the organisation which:

- facilitates identification of risk priorities (in particular to identify the most significant risk issues with which senior management should concern themselves);
- captures the reasons for decisions made about what is and is not tolerable exposure;
- facilitates recording of the way in which it is decided to address risk;
- allows all those concerned with risk management to see the overall risk profile and how their areas of particular responsibility fit into it; and
- facilitates review and monitoring of risks.

6.10 Risk Management need not mean risk avoidance and may involve taking steps to reduce risk to an acceptable level or transfer risk to a third party. The amount of risk which is judged to be tolerable and justifiable is the “risk appetite”.

6.11 The response initiated within the organisation to risk is called “internal control” and may involve one or more of the following:

- tolerating the risk and accepting the related risk;
- treating the risk in an appropriate way, such as using insurance, to constrain the risk to an acceptable level or actively taking advantage, regarding the uncertainty as an opportunity to gain a benefit;
- transferring the risk via contractual obligation with a third party; or
- terminating the activity giving rise to the risk.

6.12 In any of these cases the issue of opportunity arising from the uncertainty should be considered.

6.13 NIFRS recognises that it has to deliver services in an increasingly litigious and risk-averse society. NIFRS will therefore use risk management to promote innovation in support of the corporate strategy.

6.14 The management of risk at strategic, programme and operational levels needs to be integrated so that the levels of activity support each other. In this way, the

NIFRS Risk Management Strategy will be led from the top and embedded in the normal working routines and activities of the organisation.

6.15 All staff should be made aware of the relevance of risk to the achievement of their objectives and training to support staff in risk management will be made available.

Risk Appetite

6.16 Risk appetite is best expressed as a series of boundaries, appropriately authorised by management, which give each level of the organisation clear guidance on the limits of risk which they can take, whether their consideration is of a threat and the cost of control; or of an opportunity and the costs of trying to exploit it. This means that risk appetite will be expressed in the same terms as those used in assessing risk.

6.17 An organisation's risk appetite is not necessarily static; in particular the Board will have freedom to vary the amount of risk which it is prepared to take depending on the circumstances at the time.

Risk Management Benefits

6.18 Risk management benefits include:

- Protecting and adding value to NIFRS and its stakeholders by supporting the achievement of corporate aims and priorities;
- Improved strategic, operational and financial management;
- Ensuring future activity takes place in a consistent and controlled manner;
- Improved decision making, planning and prioritisation;
- Mitigation of key threats and taking advantage of key opportunities;
- Contributing to more efficient use/allocation of resources;
- Protecting and enhancing assets and image;
- Optimising operational efficiency and therefore delivering efficiency gains and value for money;
- Allocating time and management effort to major issues;
- Avoiding shocks and crises;
- Safeguarding tangible and intangible assets;
- Promotion of innovation and change;
- Improved customer service delivery; and
- Positive effects on the confidence of Board Members, Managers and Staff.

7 RECORDING IDENTIFIED RISKS

7.1 In line with the Corporate Risk Management Policy, the Corporate Risk Register will document identified risk as part of the corporate risk management process and act as a key mechanism for effectively embedding risk management throughout NIFRS.

7.2 The register will be presented to the Audit & Risk Management Committee on a quarterly basis and will be continually reviewed to ensure that new risks are identified and the management of existing risks is progressed.

7.3 The register will include:

- A description of the risk;
- The potential consequences of that risk;
- Existing controls;
- Residual rating;
- Required management action and controls;
- The officer responsible for progressing the risk;
- Review and target end dates;
- Progress made to date; and
- Links to the corporate plan.

8 RISK AWARENESS & TRAINING

Induction Training (including Substantive Promotions)

8.1 Via the Human Resources department, all new employees will be provided with a copy of the Corporate Risk Management Policy as part of the NIFRS Induction Pack.

8.2 Where the new start has a functional responsibility (AGC or SO1 and above), formal Corporate Risk Management training will be provided by the Performance Management Unit within 6 weeks of commencement.

8.3 Likewise if a member of staff is promoted into a role in which they now have functional responsibility, formal Corporate Risk Management training will be provided by the Performance Management Unit within 6 weeks of commencement in this role.

8.4 If a period end date (30th June, 30th September, 31st December or 31st March) occurs within this 6 week period training will be provided prior to the period end date.

8.5 It is the responsibility of the Recruitment Services Manager to ensure processes are in place to notify the Performance Management Unit of all new starts/promotions with functional responsibility.

8.6 As far as possible induction training will be provided in a group format and will be provided from time set aside for Risk Management activities. Therefore it is not anticipated that additional costs will be incurred.

Refresher Training

8.7 Refresher training workshops for staff with functional responsibilities will be run as appropriate.

8.8 Workshops will be planned in each Operational Area and also at the Training Centre and Headquarters and nominations to these workshops will be based on nominations put forward by the Corporate Management Team (CMT).

8.9 Refresher training will be provided from time set aside for Risk Management activities. Therefore it is not anticipated that additional costs will be incurred.