

## Appendix 1

RISKS		Dec 2019	Sept 2020	Target	DOT	CORPORATE RISK PROFILE (Risk Score = Likelihood x Impact)									
						Impact		Likelihood							
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Most severe									
1	1.1. Information security arrangements	15	15	10	→	5 Very Likely									
2	1.2. Pensions administration processes	12	12	6	→	4 Likely			1.2; 1.6						
3	1.3. Scheme member communication	4	4	4	→	3 Possible		2.3					1.1		
4	1.4. Data quality	6	6	3	→	2 Unlikely		1.3; 2.4; 2.5	1.4; 1.7	1.5; 2.2					
5	1.5. Payment of contributions	8	8	8	→	1 Very unlikely				2.6			2.1		
6	1.6 Sargeant Judgement	12	12	9	→	<b>Summary of risk changes since last reported</b> New risk added since last formally reported to Board:- <ul style="list-style-type: none"> <li>Risk to Pensions Administration services due to the COVID-19 pandemic</li> </ul> No change in the quarter to scores attributed to the likelihood or severity of risks occurring						<b>Emerging Risks</b> <ul style="list-style-type: none"> <li>Whilst a new risk has been added for the impact of COVID-19, this position is still emerging. Mitigations and risk scores may change as the position is further clarified.</li> <li>There continues to be an emerging risk related to the as yet unknown implications of Sargeant on the liabilities and the impact this may have on employer contributions in the future. This risk is being managed through the valuation process and does not warrant a separate risk on the register.</li> </ul>			
7	1.7 COVID-19 impact on Pensions' Admin	n/a	6	6	NEW										
8	2.1. Pension Regulator Intervention	5	5	5	→										
9	2.2. Regulatory changes	8	8	8	→										
10	2.3. Financial irregularity	6	6	6	→										
11	2.4 Loss of key personnel	4	4	4	→										
12	2.5. Conflicts of Interest	4	4	4	→										
13	2.6 Operational disaster	4	4	4	→										

## CUMBRIA FIREFIGHTERS' PENSION BOARD RISK REGISTER (September 2020)

### 1. Scheme Administration

Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			DOT	(Impact x Likelihood)		
1.1	Scheme Manager & YPS  Senior Manager	<p><b>Information Security Arrangements</b></p> <p>There is a risk that the Council will experience a significant information security incident.</p> <p>Caused by a concerted cyber attack on Council or YPS systems, inadequate information security arrangements, lack of training, awareness or human error.</p> <p>Resulting in partial or total interruption to service delivery to scheme members, the scheme employer, Scheme Officers or YPS.</p>	<p><b>15</b> <b>(5x3)</b></p> <p><b>DOT</b></p> <p>➔</p>	<p><b>10</b> <b>(5x2)</b></p>	<p><b>Cumbria County Council (CCC) – Corporate Risk</b></p> <ul style="list-style-type: none"> <li>The County Council maintains a detailed corporate risk register including the risk associated with Information Security Arrangements.</li> <li>The Scheme adheres to the controls and measures in place detailed within the Corporate Risk Register.</li> <li>All staff within the team have completed the GDPR &amp; Information Security e-learning training which is renewed on an annual basis. All Members have received training on information security.</li> <li>The Scheme Manager is compliant with the requirements of GDPR.</li> <li>Any data breaches by officers within the scheme are reported through the Council's data breach processes and also recorded on the Scheme's breach register.</li> <li>In the event of systems being interrupted, the Council will implement the relevant Business Continuity Plan to ensure service continuity in a timely manner.</li> <li>Information security controls within the Council have strengthened and have been independently</li> </ul>	<p><b>Cumbria County Council</b></p> <ul style="list-style-type: none"> <li>The Scheme adheres and, where appropriate, contributes to the planned improvements to controls and measures of the Council to manage the risk.</li> <li>The Audit &amp; Assurance Committee undertook a review of the wider Council's mitigating actions relating to the risk of cyber-crime in Jan 2018. The long term objective is to reduce the likelihood of a cyber crime event taking place and impacting onto the Council and thereby the pension scheme.</li> <li>The breach register will continue to be reviewed to consider any areas where the scheme can improve internal controls.</li> <li>The risk register will continue to be updated to ensure consistency with the overarching Council approach.</li> <li>The Council ensures staff are appropriately trained and aware of data security. All staff, elected Members and Pension Board members are required to complete new on-line data</li> </ul>



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			(Impact x Likelihood)			
		Disclosure of personal data or a data breach leading to financial penalties, liability claims and reputational damage			<p>assessed in the following three areas:</p> <ul style="list-style-type: none"> <li>○ GDPR: 'Substantial Assurance' Internal Audit opinion June 2019.</li> <li>○ Cyber Security: 'Reasonable Assurance' Internal Audit opinion June 2019.</li> <li>○ PSN: Annual Independent PSN Accreditation confirmed July 2019.</li> </ul> <p><b><u>Your Pension Service (YPS):</u></b></p> <ul style="list-style-type: none"> <li>• Cyber security risks and controls in place</li> <li>• Services are backed up to tape every night and held off site. Disaster Recovery Plan is tested twice yearly.</li> <li>• Networks protected by fire walls to prevent unauthorised access. Intrusion Prevention Systems in place and penetration tests completed annually.</li> </ul>	<p>security training.</p> <p><b><u>Your Pension Service (YPS):</u></b></p> <ul style="list-style-type: none"> <li>• <b>Security Operations Centre:</b> To further enhance and improve upon existing information and cyber security capabilities, a discovery phase analysis is currently underway to identify whether YPS can utilise and benefit from the usage of third party partner 'Security Operations Centre' (SOC) services.</li> <li>• YPS are investigating opportunities to enhance their security threat-monitoring, detection and any response to protect YPS technologies, data and the domain.</li> <li>• <b>Cyber Security Strategy:</b> As part of the Security Working Group a 3 year Information and Cyber Security Strategy has been developed to build on YPS's security capabilities. YPS's security capabilities remain the first &amp; last line of defence to protect sensitive investment, pension &amp; member data, located within YPS's IT services &amp; systems. Malicious attacks have the potential to result in serious data breaches which lead to business disruption, as well as financial &amp; reputational damage.</li> <li>• In February 2020 the Fire Local Pension Board received a presentation after their meeting on data security systems within YPS.</li> </ul>

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1.2	Scheme Manager & YPS  Senior Manager	<p><b>Pension Administration Processes</b></p> <p>There is a risk of delays in scheme members entering into pension or receiving other services from the scheme in an untimely manner.</p> <p>Caused by organisational restructure within YPS &amp; personnel changes and the need for retraining.</p> <p>Resulting in customer dissatisfaction with the service.</p>	<p style="text-align: center;">12 (3x4)</p> <p style="text-align: center;">DOT</p> <p style="text-align: center;">➔</p>	<p style="text-align: center;">6 (3x2)</p>	<p>Formal agreement in place with Lancashire County Council for the discharge of pension administration functions through YPS. This confirms Lancashire will exercise the same skill, care and diligence they would apply to the discharge of their own functions in relation to the administration of pensions.</p> <p>Formal quarterly meetings of YPS and Cumbria pensions officers to review and consider standards of service provision against YPS internal KPIs. Regular (at least quarterly meeting) of operational group and ongoing dialogue with officers at YPS throughout the year. YPS host an annual Client Forum providing officers the opportunity to engage with representatives from other Schemes with YPS as their pensions' administrator.</p> <p>Internal audit assurance is provided annually by Lancashire County Council that internal controls with YPS over the operation and administration of Cumbria Fire Service Pension Scheme data are adequate and effective.</p> <p>YPS also maintain their own Internal Audit programme and advise Officers of the findings of these reports.</p>	<p>Officers continue to closely review YPS performance specifically with regard to the experience received by scheme members.</p> <p>The most recent Performance report showed performance levels of 96.8% against a 95% target.</p> <p>Officers continue to closely review YPS performance specifically with regard to the experience received by scheme members.</p> <p>Specific issues relating to COVID-19 are addressed in a new risk in 1.7.</p>
1.3	Scheme Manager & YPS	<p><b>Scheme Member Communication</b></p>	<p style="text-align: center;">4 (2x2)</p>	<p style="text-align: center;">4 (2x2)</p>	<p>YPS provide the Scheme's communication with scheme members.</p>	<p>The Scheme's Data Improvement Plan (presented elsewhere on this agenda), details that all standard</p>

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	Senior Manager	<p>There is a risk that scheme members will not receive appropriate or effectively communications from the scheme manager.</p> <p>Caused by not having an effective Communication Strategy in place or engagement strategy or inaccurate / incomplete data</p> <p>Resulting in customer dissatisfaction and non-compliance with the Pension Regulators Code of Practice 14.</p>	<b>DOT</b> 		<p>The 'My Pension On-Line' (MPO) tool is a key mechanism through which YPS communicates with members and work is ongoing to increase the percentage of members signing up to this.</p> <p>YPS introduced a revised version of MPO in April 2019, following end-user testing by officers within the LGPS. This will have greater compatibility with android and iPhones.</p> <p>YPS have confirmed that 100% of ABS's were issued in advance of the statutory deadline of 31st August 2020.</p>	<p>correspondence from YPS is being reviewed by the scheme officers and assessed for readability and comprehension. Where appropriate improvements will be recommended to YPS. Dependent upon the results of this review, this exercise may be repeated for the FPS.</p> <p>An update on this review will be presented to a future meeting of the Fire Local Pension Board.</p> <p>MPO is promoted by the Scheme Manager and YPS to attempt to increase take up of this self-serve pensions tool.</p>
1.4	<p>Scheme Manager</p> <p>Senior Manager</p>	<p><b>Data Quality</b></p> <p>There is a risk that member data is incomplete or inaccurate.</p> <p>This could be caused by poor internal controls within the scheme and the employer with information not being passed to YPS in a timely manner.</p>	<b>6</b> <b>(3 x 2)</b> <b>DOT</b> 	<b>3</b> <b>(3 x 1)</b>	<p>Internal audit work undertaken on YPS controls to provide assurance that internal controls over the operation and administration Cumbria's data are adequate and effective (annually).</p> <p>Monthly reconciliation of employer contributions to data submitted by the employer.</p> <p>Quarterly YPS key performance indicators includes measures of timeliness of update of records.</p> <p>The scheme reported data quality in excess of 99% for</p>	<p>Data review has been conducted and a data improvement plan is presented to the Board elsewhere on this agenda. Progress against the Improvement Plan will be reported as a standing item to each Board meeting.</p> <p>The Data Improvement Plan includes a data tracing exercise to review the addresses of all deferred members and attempt to trace active members and pensioners where an accurate address is not currently held.</p>

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		This could result in having an impact on the production of Annual Benefit Statements for scheme members.	8	8	<p>common data and over 93% for scheme-specific data to the Pension Regulator in November 2018 (a result in line with other Firefighters' Pension schemes).</p> <p>Employer responsibilities are reinforced by officers through a range of communication channels with the employee/scheme member.</p> <p>A Data improvement plan has been developed and an update is provided elsewhere on this agenda (it is a standing item on the agenda of meetings of the Fire Local Pension Board).</p>	The Plan also notes a report received from the Government Actuary's Department (GAD) noting actions to be taken to address data quality ahead of the 2020 scheme valuation.
1.5	Scheme Employer & Scheme Manager  Senior Manager	<p><b>Payment of contributions</b></p> <p>There is a risk that employer fails to pay contributions (or the correct level of contributions) into the scheme.</p> <p>This could be caused by employer error, business failure or the general impact of increases in employer contribution rates</p> <p>This could constitute a breach reportable to the Pensions Regulator.</p>	8 (4 x 2)  DOT ➔	8 (4 x 2)	Monthly monitoring and reconciliation of contribution payments is undertaken by Scheme Manager to ensure contributions received are timely and accurate. This reconciliation is considered as part of the annual audit process.	Monitoring and reconciliation of contributions continue to be undertaken monthly and a full reconciliation is completed and checked as part of the year end process.

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1.6	Scheme Employer & Scheme Manager  Senior Manager	<p><b>Sargeant Judgement</b></p> <p>There is a risk that the Scheme is unable to adequately comply with required administration processes arising from the resolution of the Sargeant judgement.</p> <p>This could be caused by employer not having historic employment data for affected members; YPS not having appropriate resource to undertake the work; the Scheme having insufficiently capacity to adequately review the results; or insufficient budget to fund the required project work.</p> <p>This could result in legal breaches reportable to the Pensions Regulator; incorrect pension entitlements being calculated for pensioners; and loss of credibility with scheme members and employer.</p>	<p style="text-align: center;"><b>12</b></p> <p style="text-align: center;"><b>(3 x 4)</b></p> <p style="text-align: center;"><b>New Risk</b></p>	<p style="text-align: center;"><b>9</b></p> <p style="text-align: center;"><b>(3 x 3)</b></p>	<p>This is an emerging risk and the Scheme will be monitoring announcements from the Fire Scheme Advisory Board as to additional information required from the employer and additional workstreams for the Scheme and YPS.</p> <p>The Scheme will be discussing this emerging issue with YPS through its usual monitoring meetings and will be making preparations for managing the additional workloads. This is likely to have an impact on the Pensions Administration budget however it is not expected that any material additional costs will be incurred until 2020/21.</p>	<p>The Scheme is currently reviewing announcements related to Sargeant to try to assess the scale and scope of additional work. Representatives from the LGA are attending the Board meeting to provide a training session for Members.</p> <p>The Scheme will be working closely with YPS to identify what additional workload is required.</p> <p>Planned improvements will be reported to the Fire Local Pension Board when there is greater clarity as to what is required from the Scheme.</p>

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1.7	Scheme Employer, YPS & Scheme Manager  Senior Manager	<p><b>COVID-19 Impact on Pensions Administration</b></p> <p>There is a risk that COVID-19 could have an impact on the delivery of pensions administration services within the Scheme.</p> <p>This could be caused by resourcing issues within YPS, the Scheme or the Scheme Manager such as staff sickness, excess workloads e.g. increased death cases, furloughed staff etc.</p> <p>This could result in poor administration across the Scheme including failure to pay pensions to scheme members, payment of contributions by the CFRS and other adherence to regulatory requirements</p>	<p>6</p> <p>(3 x 2)</p> <p><b>New Risk</b></p>	<p>6</p> <p>(3 x 2)</p>	<p>Staff of the Scheme Employer and Manager and at YPS are following government guidance and working from home where possible.</p> <p>Staff resources has been focused on providing essential administration services including payment of monthly payroll and processing payments payable following the notified death of scheme members.</p> <p>A new telephone service suitable for home working arrangements is being procured by YPS to ensure an enhanced service for scheme members.</p>	<p>The existing procedures are considered appropriate to mitigate the risk of a significant effect on the ability of the Scheme to provide an effective pensions administration service for the Scheme including the payment of the monthly pension payroll, and compliance with regulatory requirements.</p>



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## 2. Governance & Regulation

Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			(Impact x Likelihood)			
2.1	Scheme Manager  Senior Manager	<p><b>Pension Regulator Intervention</b></p> <p>There is a risk that the Scheme commits a serious regulatory breach</p> <p>This could be caused by the Scheme failing to advise the Regulator of regulatory matter (e.g. reporting a breach, submitting the Scheme Return) or failing to implement new regulations.</p> <p>This could result in a detrimental effect to the service being provided to scheme members and the employer. It could also result in serious reputational implications for the Scheme Manager and potentially a financial penalty.</p>	<p>5 (5x1) DOT →</p>	<p>5 (5x1)</p>	<p>The Scheme is appropriately resourced with well trained and knowledgeable staff who understand their regulatory obligations to the Pensions Regulator and other statutory bodies.</p> <p>The Senior Manager ensures that staff take the time to consider upcoming deadlines and prioritise workloads accordingly.</p> <p>The Scheme has good contacts with other Scheme Managers, the LGA, CIPFA and other bodies to ensure that it is aware of changing regulations and their impact to the Scheme.</p> <p>The Fire Local Pension Board is advised on new regulations and emerging issues at each meeting.</p> <p>The Pension Regulator is maintaining a focus on all Public Sector pension schemes and is beginning to levy its first fines for failure to meet regulatory obligations. The Pension Regulator has also noted that it will be more proactive in enforcing regulations in the future.</p>	<p>Officers will continue to “horizon scan” to understand emerging issues that may have an impact on the future of the Scheme. Where appropriate, the Fire Local Pension Board will continue to be appraised of any emerging issues.</p> <p>The Scheme undertakes an annual assessment of training needs of each Member. The results of this assessment inform the Training Plan for the Scheme.</p> <p>Officers will arrange for high quality training to be available to all members Fire Local Pension Board throughout the year to ensure that Members have the appropriate skills and knowledge to take informed decisions at each meeting.</p>
2.2	Scheme Manager	<p><b>Regulatory Changes</b></p> <p>There is a risk that the</p>			<p>Officers of the Scheme Manager respond to government consultations where relevant to help</p>	<p>Officers of the Scheme Manager will continue to monitor the regulatory environment to be aware of any potential</p>

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	Senior Manager	<p>Scheme is mandated to change the benefits payable under the Scheme or other such regulatory change.</p> <p>This may be caused by government policy or amendments to regulations.</p> <p>This may result in the costing of the scheme being affected which could materially impact employer contributions.</p>	8 (4 x 2) DOT ➔	8 (4 x 2)	<p>influence policy.</p> <p>Where relevant, the Scheme Manager will support lobbying or lobby directly to ensure that its voice is heard in the development of national policy.</p> <p>Officers within the Scheme ensure that they are aware of impending amendments to regulations and advise the Fire Local Pension Board (and, where relevant, the employer and scheme members) in a timely way as to any amendments and their impact to the Scheme.</p>	<p>changes to the scheme.</p> <p>Where appropriate, officers will draft responses to consultations affecting the Scheme and consult with the Chair of the Fire Local Pension Board before submission.</p>
2.3	Scheme Manager  Senior Manager	<p><b>Financial Irregularity</b></p> <p>There is a risk of fraud, fraudulent behaviour, or unintentional overpayments. This may be caused by fraudulent activity or misunderstanding.</p> <p>Failure to address financial irregularity may result in a financial loss to the Scheme Manager or</p>	6 (2 x 3) DOT ➔	6 (2 x 3)	<p><b>Fraudulent Activity</b> – Active participation in the National Fraud Initiative reduces likelihood of unidentified deaths and fraudulent pension claims.</p> <p>Segregation of duties and a delegated scheme of authority minimises the risk of fraud within the Scheme.</p> <p><b>Unintentional overpayments</b> – The NFI activity may identify overpayments where no fraudulent activity has arisen but a benefactor has unintentionally benefited from the Scheme, e.g. payments continuing to be made to a widow(er) following the death of their partner. In such instances officers act compassionately.</p>	<p>Officers conducted a review of data from the National Fraud Initiative in 2018, there were no cases requiring further investigation.</p>

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		employer, as well as reputational damage to the Council.				
2.4	Scheme Manager  Senior Manager	<p><b>Loss of key personnel</b></p> <p>There is a risk that the scheme manager may lose key personnel.</p> <p>This risk could be caused by staff retiring, moving on or otherwise being on long-term absence.</p> <p>This could result in an erosion of skills and knowledge within the scheme manager.</p>	<p>4</p> <p>(2 x 2)</p> <p>DOT</p> <p>➔</p>	<p>4</p> <p>(2 x 2)</p>	<p>Whilst the Scheme Manager is currently meeting its statutory requirements, it recognises that additional resource is required to support the Board and the Scheme Manager to ensure that both are appropriately resourced to meet increasing governance requirements of the Scheme and to address material regulatory change such as that arising from the Sargeant judgement.</p> <p>A comprehensive skills needs assessment is undertaken for all Officers and Members of the Fire Local Pension Board on a regular basis and a training plan developed to address any areas for improvement.</p>	<p>The Scheme Manager is in the process of considering how best to meet the additional resourcing requirements arising as a result of the increasing governance requirements of the Scheme and to ensure it is well placed to address anticipated material regulatory changes, including amendments to address the Sargeant judgement. The Board will be briefed on material developments in relation to this.</p> <p>The training plan is approved by the Board.</p>
2.5	Scheme Manager  Senior Manager	<p><b>Conflicts of interest</b></p> <p>There is a risk that conflicts of interest in the governance of the Scheme may detrimentally affect decision making.</p> <p>This could be caused by those involved with the</p>	<p>4</p> <p>(2 x 2)</p> <p>DOT</p> <p>➔</p>	<p>4</p> <p>(2 x 2)</p>	<p><b>Fire Local Pension Board:</b> all members have signed up to the Board's Code of Conduct and Conflicts of interest policy (which are aligned to those of the Council). At each meeting, members are asked to disclose any changes to their situation.</p> <p>All interests are recorded and published on the Council's website.</p>	<p>The existing procedures are considered appropriate to mitigate the risk of conflicts of interest but this position will be kept under review.</p> <p>Any potential conflicts of interest are declared at the commencement of each meeting and these are declarations are included in the minutes of each meeting.</p>

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		<p>governance of the Scheme being influenced by interests outside of the Scheme.</p> <p>This could result in decisions being taken that are detrimental to the Scheme Manager or the Council.</p>			If appropriate legal advice can be sought as to any potential conflicts of interest within the Scheme.	All members of the Fire Local Pension Board are aware of how to manage potential conflicts. If there is doubt members of the Board may seek advice from the respective Chair or the Council's Monitoring Officer.
2.6	<p>Scheme Manager &amp; YPS</p> <p>Senior Manager</p>	<p><b>Operational Disaster</b></p> <p>There is a risk that an operational disaster may impact onto the Scheme.</p> <p>This could be caused by fire / flood / extreme weather events etc.</p> <p>This could result in the Scheme not being able to operate effectively.</p>	<p>4</p> <p>(4 x 1)</p> <p>DOT</p> <p>➔</p>	<p>4</p> <p>(4 x 1)</p>	<p><b>CCC:</b> Business continuity procedures are in place for the scheme manager (CCC). These are tested corporately on a regular basis in accordance with CCC policies and procedures.</p> <p>Where weaknesses are identified, these are addressed appropriately in order to improve the Scheme's preparedness for operational disaster.</p> <p><b>Administration (YPS):</b> YPS have business continuity procedures in place for Pensions administration. These are reviewed by Lancashire County Council's emergency planning services which provide a QA function by in respect of individual service plans.</p>	The existing procedures are considered appropriate to mitigate the risk of operational disaster but this position will be kept under review.

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**Note:** An upward arrow on the Direction of Travel represents an increase in the risk score since the previous quarter – hence either the potential impact or the likelihood of the risk occurring has increased.

Similarly, a downward arrow on the Direction of Travel represents a decrease in the risk score since the previous quarter – hence either the potential impact or the likelihood of the risk occurring has decreased.