

ESSEX PROBATION

ORGANISATIONAL RISK MANAGEMENT POLICY

Policy owner:

Debbie Came

Policy directory location:

Organisational

Policy replaces:

Risk Management Policy April 2007

Policy audience:

Board, SMT, Managers

All staff

Policy help contact:

Debbie Came

Policy help links:

Policy approval date by Board (for policy)/SMT(for practice guidance):

28 July 2009

This policy comes into operation from:

1 September 2009

This policy will be reviewed on or before:

31 August 2011

Key Messages:

The management of risk is encouraged and practised throughout the organisation from bottom to top. All our people will actively manage risks within their own authority and line managers are responsible for ensuring that their teams possess the necessary awareness, knowledge, skills and information to identify and manage risks as part of their day to day activities. Risks should be physically managed at the most appropriate level to achieve effective mitigation and robust contingency planning.

- The development and management of organisational risk will follow procedures outlined in this policy
- All staff and partners have a duty to contribute to organisational risk identification, assessment and management
- All staff are encouraged to identify potential benefits that are not being realised to maximise opportunities

The Policy:

Policy Statement:

It is Essex Probation policy to:

- Have in place a robust risk management approach to identify, assess, respond to and report on opportunities and threats that affect the achievement of the organisation's objectives
- Use risk management processes to ensure services are delivered at cost, on time and to quality, as well as providing an early warning system before things go wrong.
- Involve staff and stakeholders as widely as possible in the assessment process in order to improve the management of organisational risk.
- Apply the risk 'appetite' or tolerance levels set out in Appendix A when measuring the level of response required for any given risk.

Purpose:

The purpose of this Policy is to:

- Identify, evaluate and manage significant risks to the achievement of objectives;
- Continually assess the likelihood, impact and acceptability of risks to which Essex Probation is exposed;
- Deliver controls and mitigation to reduce the likelihood and impact of significant risks to an acceptable level;
- Integrate risk management activities at all levels of the organisation;

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- Involve staff and partners in the risk management processes;
- Continually monitor the effectiveness of the management of significant risks
- Support the delivery of the required Statement on Internal Control and the Annual Assessment for the public statement of Internal Control;

Application:

This policy applies to all staff employed by Essex Probation, its Board members and partner agencies.

Risk Management Policy Practice Instruction - All Staff

Definitions:

Organisational Risk - Risks are inherent in all activities and can be defined as the threat that an event or action will affect an organisations ability to achieve its business objectives and execute its strategies. Risks are measured in terms of consequence (impact) and likelihood.

Risk Management - Risk Management involves identifying, assessing and judging threats to the achievement of objectives; taking action to anticipate or manage them; monitoring and reviewing progress. Risk Management can help protect Essex Probation's reputation, safeguard against financial loss and minimise service disruption.

Responsibilities:

Essex Probation has a responsibility to;

- Lead Essex Probation's approach to Risk Management
- Have in place a process to develop and deploy Risk Management Policy and promote its application;
- Set the Area risk appetite
- Monitor and review the Risk Management process via the Audit Committee
- Assure themselves that decisions reached have been informed by adequate risk assessment

Essex Probation Audit Committee has a responsibility to:

- Advise on the development of the Risk Management policy
- Advise the Chief Executive on the effectiveness of Risk Management, internal control and governance within the Essex Probation area
- Review the risk register and report to the Board
- To review, check and identify sources of independent assurance to the Chief Executive in reviewing the Statement of Internal Control

The Chief Executive and Strategic Management Team have a responsibility to:

- Ensure risk is effectively managed
- Be fully conversant with the policy, procedures and responsibilities
- Ensure systems are in place to monitor compliance with policy and audit periodically.
- To establish the training requirements of managers and staff with regard to risk management
- Ensure risk assessment and mitigating actions plans are completed for all business cases, projects and policy submissions.

- Escalate critical risks where appropriate

The Director of Finance and Business Management has a responsibility to:

- Lead on organisational risk management issues
- Ensure systems are in place to develop and deploy Risk Management Policy
- To ensure appropriate training is available

Managers have a responsibility to:

- Lead locally in the application of this policy;
- Be fully conversant with the requirements of this policy
- Actively contribute to the Identification, evaluation and management of risks to the achievement of objectives
- Ensure that all staff are aware of this policy and follow requirements

All Employees have a responsibility to:

- Manage risk effectively in their job in liaison with their line manager
- Ensure that the skills and knowledge passed to them are pursued effectively
- Identify potential benefits or lost opportunities to the organisation

Internal Audit has a responsibility to:

- Provide an independent annual opinion on the effectiveness of risk management for inclusion in the Statements of Internal Control.
- Provide up to date, practical advice on risk management

External Audit has a responsibility to:

- Report if the Statement of Internal Control does not meet the requirements for disclosure specified by Treasury, or if the statement is misleading or inconsistent with other information of which they are aware from their audit of the financial statements.
- Provide up to date, practical advice on risk management.

Partner Agencies have a responsibility to:

- Support the Area in the effective management of risk
- To comply with Essex Probation practice and procedures, including Health and Safety and other risk related requirements
- To identify new or changing risks in their interaction with Essex Probation and feed these back as appropriate
- To ensure risk management processes are in place within their own areas of operation and to provide this information to Essex Probation as required

Risk Management Policy Practice Instruction – Board, SMT, Managers

Process – Risk Management Framework

This framework outlines the methodology for managing risk within Essex Probation:

Timescales

Step 1 - Clarify Objectives

- Strategic Direction November/December
- Understanding the Organisation
- Risk management Scope
- Establish Risk Appetite

The Senior Management Team meets to consider the plans and strategic direction of the organisation on an annual basis. A draft Business Plan is produced for consultation with all stakeholders. The Plan is formally reviewed and approved by the Board, subject to finalisation of performance and resource targets for the year. Objectives within the Area Business Plan will be assigned to individuals within the Senior Management Team. Local Delivery Units objectives reflect their contribution to the organisational objectives and are contained within the geographical SLA agreements with the Chief Executive.

Step 2 - Identify Risks

- What can happen? January/February
- What can go wrong?
- How, when and why can it happen?
- What threats or uncertainties are there to achieving key business objectives and outcomes?

The Business Plan will be risk assessed by each objective owner to identify a comprehensive list of **all** the potential risks to the achievement of corporate objectives. In order to ensure all risks are considered the risk categories listed in Appendix B should be referred to. These will draw risks identified by Managers and their teams, SMT, Board and external agencies as appropriate. This local process will include an assessment of risk severity (Step 3).

Step 3 - Assess Risks

- Determine likelihood and impact (s) February/March
- Score risks
- Prioritise significant risks

The main reason for assessing risk is to distinguish between key risks requiring comprehensive action to manage, and other risks which can be more easily contained.

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A risk matrix approach will be used to identify both the likelihood and impact of an event occurring. The ratings schedule at Appendix C defines both risk likelihood and impact. In determining ratings the existing controls in place need to be considered which may reduce the level of risk.

The ratings score should be plotted on the Risk Management matrix to produce a risk profile.

Evaluating risk is an iterative process. Once risks have been plotted onto the matrix it may lead to the conclusion that the ratings should be amended from 'severe' to 'critical' as an example, when comparing risks of a similar nature.

Risks will be recorded and collated using the PAM Alliantist system (see screen shot Appendix D)

Step 4 - Address Risk

February/March

Not all risk can or needs to be dealt with in the same way. There are four main responses to addressing risks:

- Acceptance - Accepting the risk as unavoidable as the cost of operating the control is not relative to the benefit obtained in managing the risk.
- Avoidance – taking an alternative course of action.
- Transfer – shifting the responsibility or burden of loss to another party e.g. insurance, contracting out
- Reduction by management action – reducing the likelihood of the risk occurring, reducing the direct consequences of the risk or minimising its impact in business terms

Every action taken to manage risk has an associated cost. The action taken must be proportionate to the risk that is controlling.

The proposed actions should be recorded on PAM Alliantist risk register/s

Step 5 - Risk Review and Reporting

Aug/Nov/Feb/May

The information generated from the Risk Management assessment will be drawn into an overarching risk register by the Director of Finance. This consolidated list of all identified risks will be reviewed by the Audit Committee at a meeting to which all Board members and SMT are invited. The purpose of this meeting will be to review all risks and ensure a common understanding of these issues and risk assessment rating. This meeting will approve a key risk register for proposal to the Board.

All key risks require completion of the key risk template (Appendix E), which will be summarised onto the key risk register (Appendix F).

Each key risk on the register will be allocated an owner/group of owners (Director). The risk owner is responsible for ensuring that processes relating to the risk are implemented, operating effectively and taking appropriate remedial action if necessary. Action taken will be summarised on the Key Risk template. This

provides evidence to the Chief Executive in support of the Statement of Internal Control.

Each quarter the Strategic Management Team will review the risk Register as part of the quarterly review process to determine whether controls are in place to manage risks and are operating effectively. The Audit Committee will receive an up-dated Risk Register and report of management action to date. The Accountable Officer and Director of Finance will be responsible for preparing and presenting the report on behalf of the Strategic Management Team. This will be informed by the Quarterly Performance Management Meetings held by the Chief Executive, which reviews SLA performance and associated risk management at a geographical level.

At each meeting of the Audit Committee organisational risk will be considered on the agenda to identify issues of new or changing risks. These may be drawn from weaknesses in internal control, additional business objectives, changing priorities or other early warning indicators identified via the Board or SMT.

6. Risk Escalation

Risk will be physically managed at the most appropriate level to achieve effective mitigation/control and robust contingency planning.

If risk cannot be managed at the level to which responsibility has been assigned, risk owners at the current level should consider whether it is appropriate to escalate responsibility for ownership and management of a risk to a higher management level. Decisions to escalate risks must be made by the current Risk Owners in agreement with their management team and the management team at the level to which the risk is being escalated.

Risk escalation is likely but not exclusively to occur as a result of review at the Performance Management meeting. Risk escalation can however, be raised at any time with the responsible Director.

Risk issues categorised as critical may also require escalation to the Board. This will normally be via the Audit Committee, but in matters requiring urgent attention, the Board Urgency Committee arrangements may be invoked.

Where the risk is of sufficient magnitude or outside the management control of the Board, risk escalation will be to NOMS. This may be via the Director of Offender Management, direct to the Director of NOMS or through the National Audit Committee.

When it has been agreed that a risk should be escalated the existing risk register should be noted accordingly and the risk assigned to the higher-level Risk Owner who will be required to provide progress reports. It will be acceptable to decide not to escalate a risk, but the reasons for such a decision will need to be recorded in a similar manner to those risks that have been escalated.

Examples of **trigger points** for risks requiring escalation include:

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- Risks outside of the control of individual project/operational/functional managers;
- Risks with a wider impact than solely within a specific project, delivery unit or function;
- Risks which will have a significant impact on key strategic objectives, business processes, operational activities or the implementation of the change programme;
- Cross cutting dependencies, inter relationships and (resource, etc) conflicts;
- Risks with ineffective or inadequate control measures;
- Systems/technology risks that may have a significant impact on service continuity.

RISK APPETITE

The following categorisation will be applied when considering the seriousness of any identified risk. This will determine what level of action will be necessary in order to manage the risk.

RISK LEVEL	
Critical	Essex Probation feels most concerned about this risk. Disastrous impact on the Areas reputation and business continuity. Comprehensive action is required immediately.
Severe	Essex Probation feels concerned about carrying this risk. The consequences of the risk materialising would be severe but not disastrous. Some immediate action is required plus the development of a comprehensive action plan.
Material	Essex Probation is uneasy about carrying this risk. Consequences of risk not severe and can be managed via contingency plans. Action plans developed later and budget bids mobilised. Status of risk should be monitored regularly.
Manageable	Essex Probation is content to carry this risk. Consequences of risk relatively unimportant to business. Status of risk should be reviewed periodically.

RISK CATEGORIES

Category	Description
Strategic Risks	Hazards and risks which need to be taken into account in judgements about the medium to long-term goals and objectives of the organisation - e.g. failure to deliver central government policy objectives
Operational Risks	Hazards and risks that will be encountered in the daily course of work – e.g.
Financial Risks	Risks associated with financial planning and control e.g. unreliable accounting records, failure to take into account the possibility of increase in interest rate
Human Resources Risks	Risk of injury, death or illness to staff inability to retain key staff and absence of risk taking attitude.
Compliance Risks	Risks that could result in failure to comply with applicable laws, regulations or organisations policies – e.g. Health and Safety at Work Act.
Third Party Relationship Risks	Risks associated with commercial partnerships and joint working arrangements – e.g. failure to deliver services as agreed withdrawal/financial failure of service provider.
Project/Programme Risks	Risks associated with the scope of and the successful delivery of projects/programmes to time, quality and within budget.

RISK RATINGS SCHEDULE

Measure of Likelihood Scale

Likelihood	%	Definition	Description
Very Low - (VL)	Less than 5% chance of risk occurring	<ul style="list-style-type: none"> Extremely infrequent – unlikely to have any strategic impact, or occur during a project or programmes lifecycle. May occur once a year or so in an operational environment. 	Has happened rarely/never before.
Low - (L)	6 – 20% chance of risk happening	<ul style="list-style-type: none"> Strategic - Small chance of occurring during the lifetime of a strategy Programme/Project - Not likely to occur during the lifecycle of the project or programme. Operational - Does not happen often – once every six months. 	Has not happened, or happened in a very limited way
Medium - (M)	21 – 50% chance of risk occurring	<ul style="list-style-type: none"> Strategic - Only likely to happen every 3 years or less, therefore may well occur during the initiative. Programme/Project - May occur during the life of the programme or project. Operational - May happen on a monthly basis 	Has occurred before, but not often and may have been in a limited way.
High - (H)	51 – 80% likelihood of risk materialising	<ul style="list-style-type: none"> Strategic - Likely to happen at some point during the next one to two years. Programme/Project - Likely to happen in the life of the programme or project. Operational - May well happen on a weekly basis. 	Occurs from time to time and may do again in the near future occasionally
Very High - (VH)	More than 80% chance of occurring	<ul style="list-style-type: none"> Strategic - 'Clear and present danger' represented by this risk – will probably impact on this initiative – sooner rather than later. Programme/Project - Is likely to happen in the life-cycle of the project, probably early on and, perhaps, more than once. Operational - Likely to happen almost every day. 	Regular occurrence, circumstances frequently encountered.

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Risk Impact Ratings

Probability	Description
Very Low	Minimal loss, delay, inconvenience or interruption. Can be easily and quickly remedied by housekeeping activities
Low	Minor loss, delay, inconvenience or interruption. Short to medium term effect
Medium	Significant waste of time and resources. Impact on operational efficiency, output, quality and reputation. Medium term effect which may be expensive to recover.
High	Major impact on costs and objectives. Serious impact on output and/or quality and reputation. Medium to long-term effect and expensive to recover.
Very High	Critical impact on the achievement of objectives and overall performance. Huge impact on costs and/or reputation. Very difficult and possibly long-term to recover

Risk Score Matrix

Likeli- hood	Very High	7	13	17	23	25 CRITICAL
	High	6	9	15	22	24
	Medium	4	8	14 MATERIAL	19 SEVERE	21
	Low	2	5	11	16	20
	Very Low	1 MANAGE	3	10	12	18
		Very Low	Low	Medium	High	Very High
		Impact				

Risk Details

Risk Map title: Corporate Organisational Risk Issues

Buttons: Risk register report, To CSV, Save and close

Risk Map

	LOW	IMPACT	HIGH					
HIGH	7	13	17	23	25			
	6	9	15	L	M	A	B	24
LIKELIHOOD	4	N	8	F	14	I	19	21
	2	O	P	G	H	11	16	20
LOW	1	3	10	C	12	J	18	
				D	E			

Legend: Closed: ● Risk: ■ Overdue: ▲ Multiple: ●

Risks

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APPENDIX E

KEY RISK TEMPLATE AS AT

Objective ID	Objective/Priority:											
Risk ID -									DATE RISK CREATED			
Risk Description												
Risk Category:						Risk Owner:			Action Owner:			
INHERENT RISK RATING (ORIGINAL)						LIKELIHOOD:		IMPACT:		RATING:		
RISK SEVERITY STATUS									ACTION		RISK REVIEW DATE	
PREVIOUS REVIEW RATING			CURRENT REVIEW RATING			CHANGES IN RISK RATING						
Likelihood	Impact	Rating	Likelihood	Impact	Rating	STABLE	RISING	REDUCING				
Description of impact on the business objectives						Controls in place for dealing with the risk (Please document sources of assurance for each control recorded)						
Proposed actions over the next quarter						By Whom			By When			

Narrative (provide summary commentary on risk progress to date and key changes for note)

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**APPENDIX F
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SUMMARY RISK REGISTER
DATE:**

				RISK STATUS AS AT				
Business Plan Objective	Risk Ref No	Risk Category	Risk Description	Likelihood	Impact	Risk Rating	Change in Rating	Risk Owner

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Glossary:

RISK MANAGEMENT GLOSSARY

Assurance	Gaining (independent) confirmation that risk assessment and control response is appropriate, adequate and achieving the effects for which it has been designed.
Cause	Underlying internal or external factor that results in an event.
Compliance	Having to do with conforming with laws and regulations applicable to an entity.
Consequence	The outcome of an event expressed qualitatively or quantitatively being a loss, injury, disadvantage or gain. There may be a range of possible outcomes associated with and event.
Control	Any action, procedure or operation undertaken to either contain a risk to an acceptable level of potential exposure or to increase the probability of a desirable outcome.
Cost	Of activities, both direct and indirect, involving any negative impact, including money, time, labour, disruption, good will, political and intangible losses.
Embedded	Seamlessly integrated into the fabric of the organisation, its processes and behaviours, thus becoming part of the business – “the way we do things”
Event	An incident or situation which occurs in a particular place during a particular interval of time
Exposure	Portion of the range of possible outcomes of future events for which the entity is susceptible to loss
Frequency	A measure of the rate of occurrence of an event expressed as the number of occurrences of an event in a given time.
Hazard	A source of potential harm or a situation with a potential to cause loss.
Impact	Result or effect of an event. There may be a range of possible impacts associated with the event. The impact of an event can be positive or negative relative to the entity’s related objectives.

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Internal Control	A policy, procedure, action, performance, process effected by an entity's board, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: <ul style="list-style-type: none"> • Effectiveness and efficiency of operations • Reliability of financial reporting • Compliance with applicable laws and regulations.
Likelihood	Used as a qualitative description or probability or frequency.
Loss	Any negative consequence financial or otherwise.
Monitor	To check, supervise, observe critically or record the progress of an activity, action or system on a regular basis in order to identify change.
Opportunity	An uncertainty of outcome that may result in a positive or beneficial impact that the organisation wishes to take advantage of or exploit.
Probability	The likelihood of a specific event or outcome measured by the ratio of specific events or outcomes to the total number of possible events or outcomes. Probability can be expressed as a number between zero and one, with zero indicating a possible event or outcome and one indicating an event or outcome is certain.
Reputation Risk	Reputation risk is any action, even or circumstance that could adversely or beneficially impact an organisations reputation
Residual Risk	The remaining level of risk after management has taken action to alter the risk's likelihood or impact.
Risk	The chance of something happening that will have an impact upon objectives. It is measured in terms of consequences and likelihood.
Risk Acceptance	An informed decision to accept the consequences and the likelihood of a particular risk.
Risk Analysis	A systematic use of available information to determine how often specified events may occur and the magnitude of their consequences.
Risk Appetite	The broad-based amount of risk a company or other entity is willing to accept in pursuit of its mission or vision.

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Risk Assessment	The overall process of risk analysis and risk evaluation.
Risk Avoidance	An informed decision not to become involved in a risk situation.
Risk Control	The part of risk management which involves the implementation of policies, standards, procedures and physical changes to eliminate or minimise adverse risks.
Risk Engineering	The application of engineering principles and methods to risk management.
Risk Evaluation	The process used to determine risk management priorities by comparing the level of risk against predetermined standards, target risk levels or other criteria.
Risk Financing	The methods applied to fund risk treatment and the financial consequences of risk.
Risk Identification	The process of determining what can happen, why and how.
Risk Management	The culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects.
Risk Management Process	The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.
Risk Reduction	A selective application of appropriate techniques and the management principles to reduce either likelihood of an occurrence or its consequences, or both.
Risk Retention	Intentionally or unintentionally retaining the responsibility for loss, or financial burden of loss within the organisation.
Risk Review	A strategic review sponsored by senior management to identify the risks associated with all the activities and operations of the organisation.
Risk Transfer	Shifting the responsibility or burden for loss to another party through legislation, contract, insurance or other means. Risk Transfer can also refer to shifting a physical risk or part thereof elsewhere.

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Risk Tolerance	The acceptable variation relative to the achievement of objectives.
Risk Treatment	Selection and implementation of appropriate options for dealing with risk

Risk Self Assessment	A technique by which each level of the organisation identifies and evaluates the risks associated with its activities to inform a strategic review.
Stake Holder	Those people and organisations that may affect or be affected by or perceive themselves to be affected by a decision or activity.
Threat	An uncertainty of outcome likely to result in a negative or damaging impact that the organisation may wish to control to an acceptable level.
Uncertainty	Inability to know in advance the exact likelihood or impact of future events.

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