



National Probation Service

RISK MANAGEMENT POLICY AND STRATEGY

A Guide for Probation Areas and NPD



Information Reader Box	
Title	Risk Management Policy and Strategy – A guide for probation areas & NPD
Description	Advice for probation managers and staff on risk and best practice in risk management in order to develop local risk management policies compatible with Home Office guidance.
Primary audience	Chief Officers, Chairs & senior managers in the National Probation Service and National Probation Directorate
Action required	To note
Timescales	N/A
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Publication ref no.	NPD/091/2004
For reader use	

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Foreword

Risk Management is a powerful weapon that any organisation can use to ensure that the organisation's objectives are met resulting in:

- Quality and efficient services;
- Good and friendly image;
- Services which are of value for money.

Risk Management should be an on going process because:

- Our services may provide new information which will result in re-thinking our policies and priorities;
- New risks may emerge because of new legislation; social changes in our society and world events.

In view of the fact that risk is part of the day to day activities of services we provide, risk is also something that cannot be avoided in our diverse and complex services. We must therefore actively embrace the process of managing our risk.

Everyone at all levels of the organisation must understand the relevance and benefits of risk management and how each one can individually contribute to the success of the organisation.

It gives me great pleasure to introduce our 'Corporate Risk Management Policy and Strategy'. It is the first attempt to recognise and to demonstrate the important role managing risk will play in the delivery of results in the services we provide. It is fully compliant with and supports the Home Office Risk Management Policy.

This policy and strategy will operate for an initial period of two years after which it will be reviewed to take into account the changing circumstances under which we operate.

The practical guidance provided in this document will contribute to improving the overall performance of our services.



**Director General
National Probation Service for England and Wales**

Introduction

The National Probation Service provides a wide range of diverse services to a large number of people. This means that there are many different types of risks. Life, business and projects are all subject to uncertainty arising from a multiplicity of sources (Circumstances, Actions, Situation and Events).

These uncertainties can come from within the organisation (internal) or from sources external to the organisation. When uncertainty strikes, it can have a range of effects on the achievement of the organisation's objectives.

Clearly, in trying to achieve all our key objectives, there are going to be threats and opportunities. By and large evaluating and controlling risks effectively will ensure that opportunities are not lost and less management time is spent fire fighting. This will lead us to increase ability to meet our objectives.

The risk environment of NPS will constantly change and priorities, objectives and consequent importance of risks will shift and change.

An effective risk management policy and strategy will assist us, align our corporate objectives and ensure that we are able to embed the framework into all our services.

Purpose

This document brings together – in one place – practical advice based on good risk management practice from across government and the private sector.

This guide is intended to supplement rather than to replace the Home Office document: Risk Management – A Practical Guide for Home Office. It seeks to provide specific guidance to enable Probation Areas to develop their own risk management policies compatible with Home Office Guidance.

NPD/NPS Risk Management

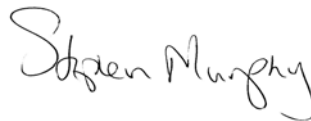
The objective of risk management activity within NPS is to increase the probability of achieving key business and strategic objectives and outcomes, whilst minimising the likelihood and/or impact of unnecessary loss or disruption, and taking advantage of opportunities to improve the achievement of objectives and outcomes.

Policy Statement

1. The HO has issued a risk management policy covering all business units. As part of the HO, our risk management policy and strategy fits within the wider HO risk management policy framework.
2. The risk management policy and strategy of the National Probation Service is to adopt a proactive best practice in the identification, evaluation and cost effective control of all risks arising from the services we provide to ensure that risks are reduced to an acceptable level.
3. All employees must understand the nature of risks and risk management in NPD/NPS. Those with the necessary authority must further accept responsibility for risks associated with their area of work.
4. Senior management will provide the necessary support and commitment to the implementation of risk management processes.
5. The NPD/NPS risk management policy and strategy objectives are to:
 - Integrate risk management into the culture of the organisation;
 - Manage risk in accordance with best practice to avoid financial loss and satisfy stakeholders;
 - Prevent injury, damage and losses and reduce the cost of risk;
 - Ensure compliance with HO Risk Management Policy, HM Treasury Directive, corporate governance, statutory obligations and internal policy requirements;
 - Safeguard, enhance and promote the reputation of the organisation;
 - Anticipate and respond to changing social, environmental, financial and legislative requirements;
 - Preserve and enhance service delivery so as to increase the likelihood of the organisation's Business Plan objectives being achieved;
 - Raise the awareness of need for risk management by all those connected with the delivery of services.



Ray McBurney
Chairman of Service Delivery Board
Date: 8/09/04



Stephen Murphy
Director General & Chief Accountable Officer
Date: 8/09/04

Risk Management Strategy

1. Introduction:

Risk management in NPD/NPS is about managing our threats and opportunities, and creating an environment that adds value to ongoing operational activities. Managing risk should be a positive activity that facilitates good decision making, exploits every opportunity and safeguards the achievement of our corporate objectives and performance.

2. The Strategy:

The NPD/NPS risk management strategy is to establish a framework, which will ensure the realisation of the NPS corporate objectives. The strategy will aim to:

- Identify, evaluate and manage significant risks to the achievement of objectives;
- Assess the likelihood, impact and acceptability of risks to which NPS is exposed;
- Deliver controls and mitigation treatments to reduce the probability and impact of significant risks to an acceptable level;
- Integrate risk management activities at all levels of NPS
- Involve and integrate NPS partners in the Risk Management structure and processes;
- Continually monitor the effectiveness of the management of significant risks having particular regard to significant failings/weaknesses reported;
- Ensure that necessary action is being taken promptly to remedy any significant failings/weaknesses;
- Identify and ensure delivery of effective risk management training programmes;
- Continuously monitor and review risks and controls to cater for external/internal changes;
- Support the delivery of the required Statement on Internal Control and the Annual Assessment for the public statement of Internal Control;
- Benchmark NPS risk management practices with other public or private organisations;

3. Implementing the Strategy:

A. Methodology

In today's dynamic environment, risk management cannot occur without some form of processes and procedures in NPS. The methodology which NPS adopt will reflect the implementation of the Home Office risk management framework, Treasury and Cabinet Office guidance on risk management and the UK Risk Management Standard (2002) which are reflected in the NPS Risk Management Framework.

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

Examples:

	Types of risk	Level of Management
1.	Significant threats to overall NPS objectives, be they from operational activities or from specific projects	Senior Operational Management under the Direction of NPS Strategy Board
2.	Regional risks and Area Boards' risks	Regional and Area Boards
3.	NPD risks	Functional NPD Directorate level
4.	Project risks	Project and/or programme level

B. Risk Co-ordinator/Risk Forum

A "Risk Co-ordinator" will be required at each of these levels, to maintain a Risk Register for the area of their responsibility. Reports on key risks, and progress made in mitigating these must be provided in a report to the Corporate Risk Manager, who will in turn report regularly to the NPS/LPA Audit Committee.

- Each risk register should include all significant risks that relate to the area of NPS concern. These may include the following types of risks relating to:

- Operations	- Finance
- Change delivery	- Business processes
- Support functions	- Business continuity

- A Risk Forum may also be developed to facilitate involvement of senior managers in the risk management process and in the monitoring of the success of the implementation of any countermeasures in the mitigation of risk.
- All business unit heads, plus project managers must assess the risks to their key business objectives and process, and assess their impact and severity.

4. Embedding the Strategy:

In order to support and implement the risk management policy and strategy in the NPS, the following measures will be taken to ensure that risk management is embedded into the culture of the organisation:

- **Goal alignment** – our operational and individual goals will be aligned with the organisation's overall strategic goals;
- **Common language** – we will develop a common language for risk management and ensuring this is communicated and understood effectively across the organisation;
- **Training and education** – we will engage in a programme of training and education as a key means of changing the culture to one that is willing and keen to accept risk management;
- **Job descriptions/Performance Appraisal and Development Review** – this will include risk management roles and responsibilities explicitly and requiring risk management as a core competency;
- **Process Management & Design** – we will include risk identification and management as an integral requirement for all business operations and especially for all major change programmes;
- **Risk taking** – we will recognise and reward informed risk-taking and problem prevention in practice and encourage all staff to actively participate in the risk identification and management process;

- **Benefit realisation** – we will ensure that people understand the purpose of their roles and effectively communicating the benefits of risk management to them personally; as well as to the entire organisation;
- **Monitoring and Review** - the risk management process is a dynamic and ongoing one. We will ensure that the process allows for regular periodic review of risks and for the consequent adjustment of the control response.

The monitoring and review process should determine whether:

- The measures adopted resulted in what was intended
- The procedures adopted and information gathered for undertaking the assessment were appropriate
- Improved knowledge would have helped to reach better decisions and identify what lessons could be learned for future assessments and management of risks.

5. Risk Escalation:

Risk is to 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 and/or managers 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 current Risk Owners and/or managers in agreement with their management team and the management team at the level to which the risk is being escalated.

Risk requiring escalation will be prioritised on the basis of the assessed Risk Severity. Priority should be given to those evaluated as having very high impact and/or very high likelihood.

When escalated to a new level there must be an objective review process. This should include consideration of whether the risk is within the remit or area of effective control of the new level of management and risk severity, to reflect the impact of the risk at the level to which it has been escalated.

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.

When it has been agreed that a risk should be escalated the existing risk register should be noted accordingly and the risk included in the higher-level management team's risk register. The higher level Risk Owner will then be required to provide progress report.

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

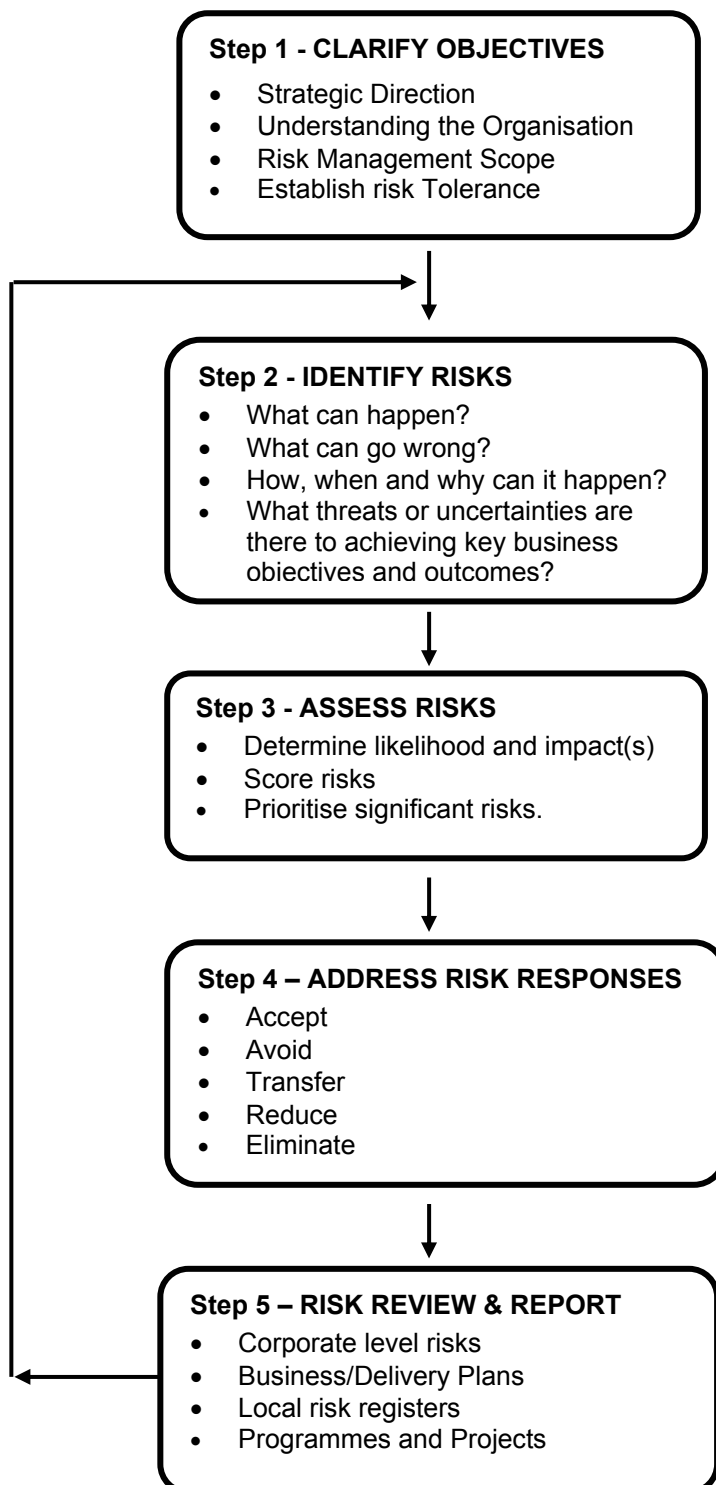
- Risks outside of the control of individual project/operational/functional managers (or that are not felt to be effectively managed at the current level of responsibility);
- Risks with a wider impact than solely within a specific project, area office or function;
- Risks which will have a significant 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 mitigation measures/inadequate control measures;
- Risks impacting outside of a single function/area office/project;
- Systems/technology risks that may have a significant impact on service continuity.

“Risk management is now central to the business of good government”
Tony Blair, 2002

6. Practical Steps to Manage Risk

NPS will adopt the Home Office Risk Management Framework Step by Step guide. The framework is broken down into five steps shown in diagrammatic form below.

Please call for a copy of the booklet providing a detailed description of the framework.



The above Step by Step guide will:

- Allow Chief Officers to demonstrate the existence of an integrated risk management system throughout their probation area;
- Be compatible with NPD, Home Office and HM Treasury requirements; and
- Enable work already done on risk management to be used as a basis for further progress.

The step by step process should exist simultaneously at several levels in the organisation, with operational areas and projects developing their own risk registers. This information should then feed into the probation area's risk register (and, in the case of some projects, project risks register maintained by the NPD project manager). Probation area risk registers will in turn feed a service wide register of key strategic risks held by the NPD.

Brief Outline of Each Step:

Step 1: Clarify Objectives

All risks spring from business objectives. It is necessary to understand your organisation, its capabilities, goals and objectives as well as the strategies that are in place to achieve them. It is also necessary to define what the risk management scope and risk appetite of the organisation would be right from the beginning of the risk management process. Think about:

- **What** needs to be done
- **When** it will be done
- **Who** will be accountable for the delivery

Step 2: Risk Identification

There are several alternative methodologies, most of which are compatible. The system adopted by the Home Office is based on HM Treasury's "Orange Book" categories (Financial Risks, Human Resource Risks, Activity/Operational Risks and External Risks). Other options include using EFQM categories or the CIPFA/SOLACE system.

Step 3: Assess Risk (Risk Analysis) and Risk Evaluation

The objective is to gain an understanding of the risk in order to respond to it most effectively. This involves a qualitative description of the likelihood of a risk coming about and the severity of the impact should this occur. The Home Office favours a 5x5 likelihood/impact matrix (see below), it follows that the higher the risk the more important it is to ensure an effective risk management strategy is in place.

Risk Evaluation

When risks have been assessed, risks need to be ranked against each other. This exercise enables an informed decision to be made about the degree of risk tolerance acceptable in the Area and the appropriateness of the risk mitigation strategy (e.g. if the impact is high but the likelihood of the risk occurring low, strategies to reduce the impact rather than the likelihood may be more appropriate). It also allows for risks of a similar nature to be compared.

Step 4: Address Risk Responses

There are a variety of ways in which risks can be managed including acceptance, transfer, elimination and reduction. These must be balanced against cost. Where, following evaluation, the residual risk remains unacceptable because of circumstances beyond the control of the Area, this needs to be "fed up the line" for inclusion in a wider NPS register.

If an action plan to reduce the risk is decided upon, responsibility for this should be assigned and a timetable agreed. A follow-up methodology will also need to be implemented (reviewed by Internal Audit).

Step 5: Risk Review and Reporting

Once identified, analysed and evaluated, all risk needs to be recorded in a standard format. The record should include as a minimum:

1. The organisational objective to which the risk is linked
2. The business area concerned
3. The risk owner
4. The nature of the risk
5. Details of current risk management strategy
6. It's residual severity (likelihood/impact)
7. Agreed remedial action
8. Identity of the person assigned to implement that action
9. Implementation date
10. Review date
11. Adjusted score

These registers will provide evidence supporting the Accountable Officer's statement of internal control. They will also assist both Internal and External audit in developing their audit programmes.

7. Keeping the Strategy going:

To ensure continued implementation of risk management policy and strategy, it is critical to review and refresh the process within the organisation on an on-going basis. Embedding the process of risk management must not become a one-off exercise that gradually decays and dies. We will include the following to ensure that the process is maintained:

A. Practices:

- **Standing agenda item** – ensure that risks and their management are on the agenda for discussion at strategy reviews, budget approval meetings, performance reviews, project planning and review meeting as well as being scheduled items on the Board and Audit Committee agenda.
- **Regular update** – ensure a regular update of the risk registers or profiles by the officers who are responsible and accountable for their management.
- **Communication channel** – our mechanism for highlighting instances of success and of actual or potential failures will be through the Corporate Risk Update.
- **Open forum** – we will create a free open forum (*a blame free or learning culture*) to discuss risks that are not being managed in an effective or efficient manner.
- **Review framework** – we will continue to review our risk framework at the following levels:
 - Business unit meetings;
 - Regional meetings;
 - Area Board meetings;
 - Special groups meetings e.g. health & safety
- **Progress monitoring** – senior managers should be constantly asking how the risk management process is progressing;
- **Responsibility and accountability** – the responsibility and accountability for risk will be included in each manager's annual objectives. It should also be part of the Manager's Performance Appraisal and Development Review process.

B. Risk Management Assessment Framework:

Annually, each unit of NPS will assess evidence on improved risk handling and performance outcomes. The criteria for this assessment will be based on the EFQM excellence model. The seven key areas that need assessment are as follows:

SUMMARY OF PROGRESS

1. Leadership Do senior managers, board members, support, promote and ensure that business risks are being systematically managed?				
Level 1: <input type="checkbox"/> Awareness & understanding	Level 2: <input type="checkbox"/> Implementation planned & in progress	Level 3: <input type="checkbox"/> Implemented in all key areas	Level 4: <input type="checkbox"/> Embedded and improving	Level 5: <input type="checkbox"/> Excellent capability established
Top management are aware of need to manage uncertainty & risk and have made resources available to improve	Senior Managers & Board take the lead to ensure that approaches for addressing risk are being developed and implemented	Senior Managers act as role models to apply risk management consistently and thoroughly across the organisation	Top down commitment with embedding and integrating risk management as routine business practice	Senior Managers re-enforce and sustain risk capability, organisational & business resilience and commitment to excellence. Leaders invited to speak at conferences about their success
2. Risk Strategy and Policies Is there a clear risk strategy and risk policies?				
Level 1: <input type="checkbox"/> Awareness & understanding	Level 2: <input type="checkbox"/> Implementation planned & in progress	Level 3: <input type="checkbox"/> Implemented in all key areas	Level 4: <input type="checkbox"/> Embedded and improving	Level 5: <input type="checkbox"/> Excellent capability established
Policies and strategies reviewed against risk principles	Risk management principles are reflected in the organisation's policies & strategies & communicated effectively	Risk policies & strategies are communicated effectively and made to work through a framework of processes	Risk handling is an inherent feature of all policies and strategy making processes	Risk management capability in policy & strategy making is reviewed and improved. Role model status
3. People Are people equipped and supported to manage risk well?				
Level 1: <input type="checkbox"/> Awareness & understanding	Level 2: <input type="checkbox"/> Implementation planned & in progress	Level 3: <input type="checkbox"/> Implemented in all key areas	Level 4: <input type="checkbox"/> Embedded and improving	Level 5: <input type="checkbox"/> Excellent capability established
Key people are aware of the need to assess and manage risks and they understand risk concepts and principles	Suitable guidance is available and a training programme has been implemented to develop risk capability	A core group of people have the skills & knowledge to manage risk effectively	People are encouraged and supported to be more innovative. Regular training is available for people to enhance their risk skills	All staff are risk aware and capable of using basic risk skills, tools & techniques

4. Partnership and Resources				
Are there effective arrangements for managing risks with partners and are there appropriate supporting resources?				
Level 1: <input type="checkbox"/> Awareness & understanding	Level 2: <input type="checkbox"/> Implementation planned & in progress	Level 3: <input type="checkbox"/> Implemented in all key areas	Level 4: <input type="checkbox"/> Embedded and improving	Level 5: <input type="checkbox"/> Excellent capability established
Key people are aware of areas of potential risk with partnerships, suppliers and management of significant resources and understand the need to agree approaches to manage these risks	Approaches for addressing risk with partners and when managing assets and financial and other resources – are being developed and implemented	Risk with partners is managed consistently for all key areas and across organisational boundaries	Sound governance arrangements established, partners & suppliers selected on basis of risk capability & compatibility	Information integrity and asset securities are assured. Financial and other resources effectively managed. Organisation regarded as a role model
5. Process				
Do the organisation's processes incorporate effective risk management?				
Level 1 <input type="checkbox"/> Awareness & understanding	Level 2: <input type="checkbox"/> Implementation planned & in progress	Level 3: <input type="checkbox"/> Implemented in key areas	Level 4: <input type="checkbox"/> Embedded and improving	Level 5: <input type="checkbox"/> Excellent capability established
Some stand-alone risk processes have been identified	Recommended risk management processes are being developed	Risk management processes implemented in key areas. Risk capability self assessment tools used in some areas	Risk metrics are collected. Risk management standards applied in some areas	Management of risk & uncertainty is well integrated with all business processes. State of the art tools & methods are used. Selected as a benchmark site by other organisations
6. Risk Handling				
Are risks handled well?				
Level 1: <input type="checkbox"/> No evidence	Level 2: <input type="checkbox"/> Satisfactory	Level 3: <input type="checkbox"/> Good	Level 4: <input type="checkbox"/> Very Good	Level 5: <input type="checkbox"/> Excellent
No clear evidence that risk management is being effective	Limited evidence that Risk management is being effective in at least most relevant areas	Clear evidence that Risk management is being effective in all relevant areas	Very clear evidence that Risk management is being very effective in all areas	Excellent evidence that Risk management is being highly effective in all areas and improvement is being pursued

7. Outcomes Does risk management contribute to achieving outcomes?				
Level 1: <input type="checkbox"/> No evidence	Level 2: <input type="checkbox"/> Satisfactory	Level 3: <input type="checkbox"/> Good	Level 4: <input type="checkbox"/> Very good	Level 5: <input type="checkbox"/> Excellent
No clear evidence of improved outcomes	Limited evidence of improved outcome performance consistent with improved risk management	Clear evidence of significant improvements in outcome performance demonstrated by measures including, where relevant, stakeholders' perceptions	Very clear evidence of very significantly improved performance for all relevant outcomes and showing positive and sustained improvement	Excellent evidence of markedly improved outcome performance which compares favourably with other organisations employing best practice

8. Benefits of the Strategy

When we are successfully able to implement and embed the risk management strategy into the NPS culture, there are many possible benefits including:

- Improved strategic management
 - Better informed selection of strategic and associated targets
 - Greater ability to deliver against achievable objectives and realistic targets
 - Protection of NPD/NPS reputation;
 - Improved operational management, processes and procedures;
 - Reduced management time spent in fire fighting;
 - More informed risk-taking and decision-making;
 - Greater management focus on the issues that really matter
- Improved financial management
 - Improved control of outsourced activities
 - Better informed financial decision making
 - Reduced financial costs, including those resulting from service disruption, litigation, fraud and poor investment decisions.
 - Reduction in the overall cost of risk management
- Improved customer service
 - Improved operational resilience
 - Improved service delivery
 - Minimal service disruption
 - Positive external image of NPD/NPS.

Roles and Responsibilities

<p>NPS Audit Committee</p>	<p>ROLE: To advise the Director General on the effectiveness of Risk Management in the NPS</p>
	<p>RESPONSIBILITIES:</p> <ul style="list-style-type: none"> • To gain an understanding of risk management and its benefits • To encourage, promote and support good risk management practice and procedures across NPS • To share good practice on all aspects of risk management; • To advise the Director General and the Service Delivery Board on the effectiveness of risk management within the NPS and make recommendations accordingly.
<p>Service Delivery Board</p>	<p>ROLE: To ensure that the NPS manages risk effectively through the development of an all-encompassing corporate strategy</p>
	<p>RESPONSIBILITIES:</p> <ul style="list-style-type: none"> • To gain an understanding of risk management and its benefits • To develop the corporate risk management strategy in liaison with the corporate risk manager and communicate it to Audit Committee members • To promote and oversee its implementation across the organisation • To monitor and review the effectiveness of the risk management strategy • To agree any inputs and resources required supporting the work corporately. • To lead the organisation's approach to risk management • To feed into strategy development and review • Identify areas of overlapping risk • To review progress of Directorate Risk Management Groups.

NPD Management Team and Probation Area Management Team

NPDMT & PAMT should each appoint a senior officer to co-ordinate the overall approach to Risk Management.

ROLE:

To ensure that risk is managed effectively in each area

RESPONSIBILITIES:

- To feed into the development of the corporate RM strategy from a service specific perspective
- To identify any service specific issues relating to RM which have not been explicitly address in the corporate strategy
- To ensure that the risk management strategy is implemented effectively across its services
- To negotiate Directorate /Probation Area budget requirements for the effective management of risk;
- To disseminate the detail of the risk management strategy and allocate responsibilities for implementation to service managers and staff
- To establish the training requirements of managers and staff with regard to strategy implementation
- To set up Directorate/Probation Area RM Group to address all the risk issues relating to their services;
- Ensure risk impact analyses are included in all policy submissions.

Probation Area Board

ROLE:

To ensure that the Local Probation Area manages risk effectively through the development of an all-encompassing corporate strategy

RESPONSIBILITIES:

- To gain understanding of risk management and its benefits
- To develop the corporate Risk Management strategy in liaison with the Chief Officer, the Area Risk Manager and the Area Audit Committee.
- To promote and oversee its implementation across the Area.
- To agree any inputs and resources required supporting the work.
- To lead the Area's approach to Risk Management
- To monitor and review the progress of the Risk Management strategy via the Audit Committee.

**Probation Area
Audit Committee**

ROLE:

To advise the Chief Officer on the effectiveness of Risk Management within the Probation Area.

RESPONSIBILITIES:

- To advise on the development of the corporate RM strategy from a service specific perspective.
- To monitor and advise on the implementation of the risk management strategy.
- To identify any service specific issues relating to RM which have not been explicitly addressed in the area strategy.

Chief Officers

ROLE:

To manage risk effectively in their particular Probation Area.

RESPONSIBILITIES:

- To implement the risk management strategy
- To commission the necessary training for employees on risk management
- To maintain a risk management portfolio for their area
- To share relevant information with colleagues in other areas
- To feedback on their experience of strategy implementation and perceptions of strategy effectiveness to the National Strategy Board/Corporate Risk Manager and Service Delivery Board as appropriate
- Ensure risks are identified, recorded and evaluated in each of their areas
- Ensure appropriate action is taken to identify countermeasures and address risks.

**The Corporate Risk
Manager**

ROLE:

To support the NPS and its units in the effective development, implementation and review of the risk management strategy.

RESPONSIBILITIES:

- To develop the corporate risk management strategy in liaison with the senior management team and service departments
- To promote, support and oversee its implementation across NPS
- To identify any dedicated inputs and resources required to support the work
- To monitor and review the effectiveness of the risk management strategy
- To identify and communicate risk management issues to all service departments
- To assist Directorate/Probation Areas in undertaking risk management activity through training and/or direct support.

Area Risk Manager

ROLE:
To support the area in the effective development, implementation and review of the risk management strategy.

- RESPONSIBILITIES:**
- To develop the Area risk management policy and strategy in liaison with the Chief Officer, Audit Committee, senior management team and all other service departments
 - To liaise with the Corporate Risk Manager in the implementation of the RM policy and strategy of NPS.
 - To monitor and review the effectiveness of the risk management policy and strategy in the area
 - To identify and communicate risk management issues to all service departments
 - To assist the Probation Areas in undertaking risk management activity through education, training and/or direct support.

Internal Audit

ROLE:
To provide the NPS Director General, Audit Committees and the Area Chief Officers with an independent opinion as to the effectiveness of risk management systems and to support the NPS in the effective development, implementation and review of risk management

- RESPONSIBILITIES:**
- To review the effectiveness of risk management throughout the NPS.
 - Provide an annual opinion on the effectiveness of risk management for inclusion in the Statements of Internal Control.
 - Advise and support the Director General, Chief Officer, Audit Committees and Risk Managers through the provision of up to date, practical advice on risk management.
 - Assist in the delivery of risk management through the provision of awareness training sessions and facilitated workshops.
 - By carrying out risk based systems audit reviews, to provide an evaluation as to the effectiveness of risk mitigation strategies relied upon by the NPS.

External Audit

ROLE:
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.

- RESPONSIBILITIES:**
- Consider whether the disclosures are consistent with the External Auditors review of board and committee minutes and their knowledge of the audited body obtained during the audit of the financial statements;
 - Attend audit committee meetings at which corporate governance, internal control and risk management matters are considered;
 - Consideration of the process adopted by the Accountable Officer for his/her effectiveness review, and of the documentation prepared to support the statement.

Employees

ROLE:
To manage risk effectively in their job.

RESPONSIBILITIES:

- To liaise with their line manager to assess areas of risk in their job
- To identify new or changing risks in their job and feed these back to their line manager
- To undertake their job within the risk management guidelines set down for them by their manager
- To ensure that the skills and knowledge passed to them are pursued effectively.

Other Support Services

ROLE:
To support NPS and its units in the effective development, implementation and review of the risk management strategy.

RESPONSIBILITIES:

- **Finance Department:**
 - To inform on financial implication of risk
 - To provide assistance, advice and training on budgetary planning and control
- **Personnel Services:**
 - To assist in the handling of cases of work related illness or injury
 - To provide advice on any human resource issues
 - To co-ordinate the delivery of risk management training
- **Health and Safety:**
 - To commission and /or deliver training on risk management issues.
 - To advise on any health and safety implications of the chosen or proposed arrangements for service deliver
- **IT:**
 - To ensure workable contingency plan of all IT services at all times
 - To ensure adequate and protective security of NPS information

Appendix 1 – Responding to Risk

To document, prioritise and respond to risk, it is important to capture all the risks that might impact on the organisation achieving its objectives.

AVAILABLE OPTIONS TO CAPTURE RISK

1. Group risks into two sources
 - Internal Risks**
 - External Risks**
2. Group sources of risk into the following possible risk categories

Risk Categories	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.

3. The following key questions could help in responding to risks

KEY ISSUES	QUESTIONS
Risk Description	<ul style="list-style-type: none"> • What is the nature of your business/service? • What is the nature of the risk to the service? • How will it impact on the organisation if the risk occur?
Root Cause(s)	<ul style="list-style-type: none"> • What could trigger the risk? • What could make it more likely to occur?
Existing Controls	<ul style="list-style-type: none"> • What is being done to control the risk? • Is there any policy or procedure in place to keep it in check? • Is it covered by any working practices? • Is any specific action or measure in place to manage the risk? • Are any new measures in place?
Adequacy of Existing Control	<ul style="list-style-type: none"> • Have you any control measures in place? • How effective are the measures to manage/control the risk to the organisation? • Are they adequate? Inadequate? Uncertain?
Risk Assessment	<ul style="list-style-type: none"> • Taking into account the control measures already taken and their effectiveness – <ul style="list-style-type: none"> How likely is it that the risk will actually occur? What would be its impact if it occurs? How significant is the impact? What could be the cost of the impact? What area of your services will the impact affect?
Risk Owner	<ul style="list-style-type: none"> • Who should be responsible for managing the risk? • Who will ensure that action is taken to bring it or keep it under control?
Risk response and agreed actions	<ul style="list-style-type: none"> • How will you respond to the risk? • Is the exposure acceptable given the appetite of your business/service? • Will you: <ul style="list-style-type: none"> Tolerate/Accept the risk? Avoid the risk? Transfer the risk? Terminate /Eliminate the risk? Treat/Reduce the risk? • What specific additional actions, if any are needed to control the risk? • Who will develop and implement them? • When will it be done?
Assurance Activities	<ul style="list-style-type: none"> • What is in place to give the business the confidence (assurance) that the risks are and will remain under control? • What will be the level of monitoring and review? • Assurance activities could include: <ul style="list-style-type: none"> Reviews by Management Surveys Self-assessment questionnaires Internal Audits Reviews/audit by external bodies Benchmarking Performance indicators Reporting Mechanisms

Appendix 2 – Risk Scoring and Tolerance

Approach For Prioritising Risk

Once you have identified all the possible risks to your organisation, it is necessary for you to analyse the risks so that you may distinguish between minor acceptable risks from major risks. This process will also include determining the likelihood of the risk happening and the impact the risk will have on your organisation should the risk occur.

You should use the 5 X 5 Risk Matrix adopted by the Home Office in the booklet titled Risk Management: A Practical Guide for Home Office. (If you need a copy of this document, please contact the Corporate Risk Manager) We recommend this process because it provides a structured way to identify, prioritise, manage the impact of key risks to the business plan and its use will be consistent to all other business units in the Home Office.

Risk Likelihood Ratings

Likelihood	Criteria	Score
Very Low	Extremely unlikely to happen	1
Low	Low but not impossible to occur	2
Medium	Fairly likely to happen	3
High	More likely to occur than not	4
Very High	Almost certain to occur	5

Risk Impact Ratings

Impact	Criteria	Score
Very Low	Minimal loss, delay, inconvenience or interruption. Can be easily and quickly remedied	1
Low	Minor loss, delay, inconvenience or interruption. Short to medium term effect	2
Medium	Significant waste of time and resources. Impact on operational efficiency, output and quality. Medium term effect which may be expensive to recover	3
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.	4
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	5

Appendix 3 – Risk Management Key Words

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 an 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, goodwill, 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.
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.
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.
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 who 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.