



Cambridgeshire
Police & Crime
Commissioner

Risk Management Strategy

July 2016 v.1 draft

Cambridgeshire Police and Crime Commissioner: Risk Management Strategy

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Document History

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1	1	18.9.13	Presented to Joint Audit Committee 18.9.13
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1 Introduction to risk management

- 1.1 The working definition of a *risk* is an uncertainty i.e. the chance of something happening - an event, a change in circumstances or a consequence - which can have an impact on the organisation's objectives and priorities (ISO Guide 73). These may be positive, negative or a deviation from the expected. This definition links risks to objectives, so this definition can most readily be applied when the objectives of the organisation are comprehensive and fully stated. Even then the objectives need to be challenged and the underlying assumptions tested as part of the risk management process.
- 1.2 Risks are inherent in every activity and decision in which the organisation is involved, and in order to achieve its objectives it is necessary for these to be managed. Risk management is the process of identifying risks or opportunities (where there is a chance of a positive outcome), evaluating their potential consequences, considering the current controls in place, placing the level of assurance on the control and determining and implementing the most effective way of monitoring and mitigating risks.
- 1.3 Risk management is an important strategic tool. It protects the organisation and adds value leading to benefits which include: improved decision-making and better use of resources; optimum quality and efficiency of service delivery, and the upholding and enhancement of organisational reputation.
- 1.4 Risk management is also one of the pillars of corporate governance. To be effective, it must be clearly aligned to the organisation's strategic objectives, ensuring that there is a strong focus at the top of the organisation on those most significant risks that would prevent the achievement of its vision and strategic objectives; or would impact on its partners. It must, therefore, be embedded into the culture of the organisation as a shared responsibility and be central to the Commissioners work.

2 Scope and purpose

- 2.1 The Commissioner's duties for risk management are twofold: first, there is responsibility for ensuring that the Constabulary has adequate arrangements for risk management in place. Secondly, as a corporation sole it has a responsibility for putting in place arrangements to manage the risks it faces, separate from those of the Constabulary.
- 2.2 This document sets out the Risk Management Strategy of Cambridgeshire's Police and Crime Commissioner. It describes the aims and objectives of the strategy and how these duties will be met.

3 The objectives of risk management

- 3.1 The aim of this strategy is to ensure that risk management is embedded into the governance structure and that it effectively underpins and enables the business in accordance with the objectives set out below:
- To increase the likelihood of achieving the Commissioner's strategic objectives
 - To prevent or reduce the potential consequences of events which could have been reasonably foreseen;

- To prevent or reduce events or actions that could damage the reputation of, and public confidence in, policing, community safety and crime reduction in Cambridgeshire;
- To improve decision-making and planning and assist in the allocation of resources;
- To integrate risk management into the culture and processes of the Office of the Police and Crime Commissioner;
- To raise awareness of risk management among members and staff, making it an integral part of their thinking and actions, and
- To satisfy the requirements of corporate governance for the Annual Governance Statement, and external auditors in relation to the effectiveness and adequacy of risk management.

4. Relationship to corporate governance

- 4.1 Risk management is central to good corporate governance. Cambridgeshire Police and Crime Commissioner's commitment to risk management is a key part of its Code of Corporate Governance. An Annual Governance Statement is produced to review of the effectiveness of the governance framework.
- 4.2 CIPFA guidance states that: 'good governance requires that risk management be embedded into the culture of the organisation'. This relies on the development, maintenance and use of realistic and robust risk registers. The risk register is also one of the primary assurance mechanisms used to produce and sign off the Annual Governance Statement and the Annual Statement of Accounts. The commitment to developing and maintaining the risk register is based on the principle that all Joint Audit Committee members should be able to review strategic risks (and their management) as part of the proper exercise of their functions.
- 4.3 The Board Assurance Framework ("BAF") provides a method for the effective and focused management of the principal risks to meeting an organisation's objectives. This better links risk management and work to achieve the organisation's objectives. It also provides increased visibility and assurance that work which needs to be done to achieve objectives and decrease the likelihood of risks materialising is being taken forward at a sufficient pace. The Framework links the corporate objectives, strategic risks, current mitigating actions and internal and external assurances. It identifies further mitigating actions for each area of risk.

5. Principles of successful risk management

- 5.1 This strategy will be supported by the following principles:
- The avoidance of creating or perpetuating an unduly risk-averse culture by taking an approach which considers the risks of not undertaking activities and not exploiting opportunities.
 - Consideration of risk should both help to secure existing objectives and not stifle innovation when taking decisions on new and innovative projects.

- Mitigation measures should be effective, appropriate, proportional, affordable and flexible e.g. controls are not to be set up where the cost and effort is disproportionate to the expected benefits, and these should be implemented with minimum bureaucracy.
- Risk should be anticipated and decisions over the extent to which these should be managed is to be considered within a mature and evidence-based assessment framework, including taking account of possible impact and public reaction.
- Risk management should be embedded into the governance structure and effectively underpin and enable the business, making it an integral part of the thinking and actions of staff.

6. Risk appetite statement

- 6.1 This strategy recognises that the levels of risk that it may be prepared to take are dependent on a number of factors including the nature of the risk concerned; its capacity to control a particular risk, its prior exposure to risk and the amount of risk it is currently controlling. The Commissioner will consider the above factors in decision making processes to ensure that there is balance to the risks taken.
- 6.2 It has determined a scoring mechanism for the risks contained within its risk register by which the levels of control and intervention are prescribed and commensurate with the level of risk i.e. it will concentrate mitigation actions on higher risks.
- 6.3 Risk Appetite gives priority to mitigate all High and Very High risks to a lower level as soon as practicable. There are some activities of the Commissioner where a higher risk appetite might be acceptable, for example to support innovation. However, a low risk appetite exists where matters of public confidence are concerned.

7. Roles and responsibilities

- 7.1 This section provides an outline of the organisational and individual responsibilities for risk management within the OPCC.
- 7.2 **The Cambridgeshire Police and Crime Commissioner** as 'corporation sole' must maintain a sound system of internal control including a system for the management of risk. The Business Co-ordination Board (BCB) will receive at least a yearly update on risk.
- 7.3 **The Commissioner's/Chief Constable's Joint Audit Committee (JAC)** is responsible for monitoring the effective development and operation of risk management and making recommendations as appropriate through:
- (1) approving, overseeing and monitoring the Commissioner's risk management strategy which includes the arrangements for identification, assessment and effective management of risk;
 - (2) monitoring and updating the strategic risk register on a six-monthly basis. This includes reviewing and updating the organisations risk tolerance/appetite to avoid

inappropriate risk mitigation actions being taken. The JAC will receive the Risk Register for regular review and amending as necessary;

- (3) reviewing the Force's approach to risk management and monitoring the Force's strategic risks (see Section 8 below),
- (4) monitoring the Commissioner's Board Assurance Framework on a six-monthly basis and
- (5) considering the Commissioner's system of internal control with appropriate reporting to the BCB.

7.4 **Groups within the governance framework, will:**

- (1) be responsible for the overall ownership and accountability of particular risks;
- (2) embed risk management into their work on an ongoing and continuous basis;
- (3) ensure, where appropriate, that an assessment of risks, options and costs informs decision-making;
- (4) where appropriate, review and update risk registers and the Board Assurance Framework in the relevant areas providing sufficient detail to assist with the process. When considering relevant risks, they may identify changes in the nature of the risks they own, the level of risk or the effectiveness of the risk control measures. They may seek to increase the level of assurance of controls e.g. by calling for Reports or escalating matters;
- (5) ensure that relevant items are taken forward through agenda planning and considered as part of the wider work programme, and
- (6) ensure that actions to mitigate the risks are planned, resourced, monitored and documented.
- (7) review assurance level of controls. Assurance levels are important to give reassurance and ensure that controls are operating effectively. The levels can be confirmed by such areas as internal/external/HMIC inspection reports, meeting reviews, performance indicators etc. The level of controls assurance can be assessed and would be directly relevant to the outcome of the activity e.g. an audit with a significant number of recommendations may offer only limited assurance while an audit classified as 'green' would offer 'substantial' assurance.

7.5 **Senior Officers of the OPCC – the Chief Executive and the CFO / Deputy Chief Executive will be responsible for:**

- (1) overseeing the implementation of the Risk Management Strategy;
- (2) ensuring that all key reports and policy decisions give due consideration to risk and how this will be managed;

- (3) driving the identification of new and emerging risk and ensuring their inclusion in the Risk Register, linking with the Constabulary,
- (4) updating the Board Assurance Framework, and
- (5) ensuring that the appropriate advice and training on Risk Management is available for staff.

The Strategic Accountant will lead the work on Risk Management policy within the OPCC; manage the risk framework and act as the principal link to the Force on matters of risk; maintain the Strategic Risk Register and Board Assurance Framework and ensure the existence of clear audit trails to demonstrate openness and accountability, and prepare reports to the JAC on Risk Management activity.

The Commissioner's CFO will, additionally, be responsible for supporting the Chair of JAC to fulfil the duties and responsibilities above, including annual reporting in line with governance arrangements, and linking risk into the Internal Audit processes.

- 7.6 **All staff** are responsible for gaining an understanding of risk and the benefits of its management and participating in risk management activities.
- 7.7 **Internal Audit** will be asked to review the scope and content of the Risk Registers; reviewing the adequacy of the procedures to assess, review and respond to risk; reviewing the effectiveness of internal controls and making recommendations as appropriate on risks management.

8 Force risk management

- 8.1 The JAC has responsibility to oversee the Force's management of risk, to ensure that the Force has adequate risk management arrangements in place including arrangements to ensure that the PCC and Force risk management strategies are aligned.
- 8.2 **The JAC, led by its Chair**, will consider the Force's approach to risk on a 6 monthly basis.

9 Partnership and collaboration risk

- 9.1 Risk management is important not only for individual organisations but for partnership working and collaboration too. This Strategy recognises that working with others brings risks as well as opportunities, and that governance can be problematic. These risks and opportunities are reflected in the risk register where appropriate.
- 9.2 The management of risk is an essential aspect of such arrangements. The Collaboration programme has formal agreement processes and separate governance arrangements in place. Governance arrangements will be put in place for new collaborations and partnerships as they develop.

- 9.3 Of ultimate concern is the ability to demonstrate improved outcomes through effective risk management. This Strategy recognises the need to seek to influence others in applying and embedding risk management principles where necessary.

10 Risk management training

- 10.1 Training and awareness is vital to enable staff to take responsibility for managing risk within their working remit.

11 Monitoring and review

- 11.1 This Strategy and the Commissioner's arrangements for risk management will be reviewed by the Joint Audit Committee during the course of preparation of the annual governance statements. The strategy will be kept under review to ensure continuing compliance with legislative and best practice principles.

12 Legislative and risk considerations

- 12.1 The drafting of this Strategy and its associated policies has taken into account the Equality Act 2010, the Human Rights Act 2000 and Health & Safety legislation and guidance.
- Relevant risks have been incorporated appropriately into the Strategic Risk Register and broader risk management framework in accordance with its responsibilities, duties and values in these areas.
- 12.2 This Strategy document is suitable for publication under the Freedom of Information Act 2000. The Strategy document is not Protectively Marked.

Annex A: Guidance on completing the strategic risk register

The identification, assessment and recording of risks

- (i) The identification, description and evaluation of risks will be undertaken through environmental scanning, discussion, working groups, and from general work arising in the course of carrying out duties of monitoring and oversight of the Constabulary, working with agency partners and in collaboration with other Constabularies and OPCCs. This may be informal or formal i.e. through Committee processes.
- (ii) Once identified, a risk will be presented to the Chief Executive for consideration of an appropriate response together with identification of appropriate control measures.
- (iii) Options for appropriate responses will include the following (4T model) and will depend on the Commissioner's risk appetite:
 - Tolerate the risk (accept it e.g. for low likelihood or impact events),
 - Treat the risk (i.e. take action to control it by reducing its likelihood, or less commonly, its impact),
 - Transfer the risk (e.g. insure against it), or
 - Terminate the risk (i.e. avoidance, eliminating the risk if it too great to bear or if reduction is impractical or too expensive).Alternatively after evaluation, a risk may present an opportunity to deliver savings or efficiencies.
- (iv) A clear methodology will be adopted to evaluate risks consistently (and incorporated into the Risk Register), utilising the weighted risk matrix attached at Annex B.
- (v) Once evaluated and accepted, the risk will be entered on the Risk Register. The entry will include the following fields:
 - risk description (defining its cause, effect and explicit consequence that might arise);
 - the strategic objective to which it poses the greatest risk (*e.g. strategic, performance, engagement, and values and standards*) and the appointee responsible for managing the risk;
 - the initial likelihood and impact assessment and hence overall risk value;
 - an "action plan" to ensure mitigation activity occurs, typically in the form of identified relevant control measures (both existing and planned), with dates, and associated methods of controls assurance, and finally
 - a unique risk reference number, and date of identification (for new risks).
- (vi) Entries no longer considered a risk will be closed and logged in an archive after review and agreement by the Chief Executive.

Annex B: risk matrix

	1 Unlikely	2 Possible	3 Likely	4 More likely than not	5 Probable
5 Catastrophic	15	19	22	24	25
4 Significant	10	14	18	21	23
3 Moderate	6	9	<i>Tolerance Level</i> 13	17	20
2 Minor	3	5	8	12	16
1 Insignificant	1	2	4	7	11

Risk ratings key:

Dark red	Critical risks
Red	High risks
Amber	Medium-high risks
Yellow	Medium risks
Green	Low risks

