



# Office of the Police & Crime Commissioner

**REQUEST FOR POLICE & CRIME COMMISSIONER DECISION - (N° 011 / 2017)**

**TITLE: Risk Management Strategy 2017-2010**

**Executive Summary:**

The Office of the Police and Crime Commissioner provides policing services for Cumbria in a constantly changing and challenging environment. The Risk Management Strategy sets out the OPCC responsibility for risk management and how risks are managed.

**Recommendation:**

The Commissioner is asked to:

- Consider and approve the OPCC Risk Management Strategy; and
- That the strategy be implemented from 1 April 2017

**Police & Crime Commissioner**

I confirm that I have considered whether or not I have any personal or prejudicial in this matter and take the proposed decision in compliance with the Code of Conduct for Cumbria Police & Crime Commissioner. Any such interests are recorded below.

I hereby approve/~~do not approve~~ the recommendation(s) above

**Police & Crime Commissioner / ~~Chief Executive~~ (delete as appropriate)**

**Signature:**

**Date: 27<sup>th</sup> March 2017**

## **PART 1 – NON CONFIDENTIAL FACTS AND ADVICE TO THE PCC**

### **1. Introduction & Background**

- 1.1 The risk management strategy sets out the governance arrangements in respect of the management of risk including arrangements for holding to account the Chief Constable for the management of risks within the force. The strategy is currently reviewed on an annual basis.

### **2. Issues for Consideration**

- 2.1 The strategy sets out the commissioner's objectives in respect of risk management and the arrangements in place for meeting those objectives through a risk management framework. The framework incorporates clear roles and responsibilities for risk management and a methodology for assessing risk and mitigating actions. The strategy provides the framework to enable the Commissioner to achieve the requirements within the approved financial rules and financial regulations.
- 2.2 In previous reviews the strategy has seen a number of changes to reflect the understanding and appetite for risk that the OPCC has developed since its inception in November 2012. These have included moving from a 5x5 matrix to a 4x4 matrix and a change in the recording style of both the strategic and operational risk registers.
- 2.3 Having undertaken an annual review of the OPCC risk strategy the only recommended changes are to the Governance Managers job title which was previously the Governance and Business Services Manager. The remainder of the strategy adequately reflects the way in which the OPCC considers and deals with all risks.
- 2.4 Due to the minimal changes within the Risk Management Strategy it is proposed going forward to review the strategy on a three year cycle. This would align with similar review periods for other OPCC policies and strategies, including their Risk Management Strategy. Should there be any significant changes either within the OPCC or external influences the strategy would be reviewed and updated out with the three year cycle. The risk registers would continue to be reviewed at the appropriate intervals denoted by their risk scores.
- 2.5 Mr Jack Jones, of the Joint Audit and Standards Committee has been consulted regarding updating the Risk Management Strategy. He had advised that he agrees with the strategy and the proposal to revert to a three year review; with the proviso of it being fully reviewed in the event of significant change.
- 2.6 The strategy was presented to the Joint Audit and Standards Committee meeting on 15 March 2017 for review prior to presentation to the Police and Crime Commissioner. The committee had no further comments to make in relation to the strategy and agreed with the proposal for a three year review.

### 3. Implications

(List and include views of all those consulted, whether they agree or disagree and why)

#### 3.1 Financial

Effective risk management practices supports the reduction of risks that may have financial implications.

#### 3.2 Legal

Risk management strategy supports the overall arrangements for governance and is underpinned by strategic and operational risk registers that seek to manage the risks pertaining to legal and governance within operational practice.

#### 3.3 Risk

The risk management strategy ensures risks are identified, assessed and managed with clear ownership of the risk and activity to mitigate its impact. The strategy seeks to encourage risk taking where this has clear positive benefits.

#### 3.4 HR / Equality

Key staff roles are identified within the strategy with responsibility for areas of risk management.

### 4. Supplementary information

Appendix 1 – OPCC Risk Management Strategy

#### Public Access to Information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the PCC website within 3 working days of approval. Any facts/advice/recommendations that should not be made automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would not compromise the implementation of the decision being approved.

Is the publication of this form to be deferred? ~~YES~~ / NO

If yes, for what reason:

Until what date (if known):

Is there a **Part 2** form - ~~YES~~ / NO

(If Yes, please ensure Part 2 form is completed prior to submission)

**ORIGINATING OFFICER DECLARATION:**

I confirm that this report has been considered by the OPCC Executive Team and that relevant financial, legal and equalities advice has been taken into account in the preparation of this report.

Signed: *Joanne Head*

Date: 20 March 2017

**OFFICER APPROVAL**

**Chief Executive**

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner.



Signature:

Date: 20 March 2017

**Media Strategy**

The decision taken by the Police & Crime Commissioner may require a press announcement or media strategy.

Will a press release be required following the decision being considered? ~~YES~~ / NO

If yes, has a media strategy been formulated? ~~YES~~ / NO

Is the media strategy attached? ~~YES~~ / NO

What is the proposed date of the press release:



# Cumbria Office of the Police and Crime Commissioner

**Risk Management Strategy  
2017-2020**

# Contents

## Page

- 3.** Introduction
- 4.** Our Approach to Risk Management
- 5.** Risk Management Objectives
- 6.** Risk Management Framework
- 10.** Risk Management Methodology
- 13.** Risk Management Responsibilities
- 16.** Strategic Risk Register Template

# Introduction

The Office of the Police and Crime Commissioner for Cumbria is committed to providing the highest quality of policing services to the people of Cumbria. We do this in a constantly changing and challenging environment. This strategy is about the approach and arrangements we have in place to manage the risks we encounter in doing this.

Risk management involves the identification, assessment and prioritisation of risks and taking action to control, minimise and monitor them. Risks are threats that have potential to impact on our organisation and the delivery of our objectives and services. Sometimes they can be positive as well as negative. Risk management activity ensures we protect against negative threats whilst recognising and taking advantage of positive opportunities.

Our strategy sets out responsibilities for risk management, what we do and how we do it. It incorporates a number of key objectives and what we aim to achieve from the arrangements we have in place. In doing so our strategy provides assurance and contributes to the overall arrangements we have for governance.

## Our Approach to Risk Management

Police and Crime reduction services are delivered in a high risk environment. Like many public service organisations we are continually challenged to change the way we do things, to improve and to reduce cost. In doing this the level of risk we take as an organisation increases. Our approach to risk management recognises this by seeking to ensure we have a structured approach to manage those risks. Our approach seeks to ensure that our people and organisation are protected without stifling innovation or adversely restricting the taking of risks where we can see there are positive benefits from doing so. We describe this as being risk aware. This strategy sets out the things we have in place to embed a risk aware culture. These are:

- **Risk Management Objectives:** Our overall aims that set out what we want to achieve from the arrangements we have in place for risk
- **Risk Management Methodology:** The way we review our risks to understand their impact and decide how we will manage them
- **Risk Management Framework:** The specific things we have in place that supports the delivery of our objectives
- **Risk Management Responsibilities:** Specific responsibilities for different areas of risk for which our Commissioner, chief officers, staff, committee and auditors are accountable

The rest of this strategy sets out more information on our objectives, framework, methodology, responsibilities and sets out how we record our risks on our risk register.

# Risk Management Objectives

Risk management makes an important contribution in helping to achieve our aims and deliver better services. Through being aware of risk and having an understanding of its impact we can make better decisions about what and how we do things. Risk management works best when we have a culture that is risk aware. Our strategy aims to achieve this by providing a framework that helps to integrate and embed risk management into our day to day business. To do this we have identified a number of objectives that we are committed to. This section of our strategy sets out what they are and what we will do to achieve them.

**Objective 1:** We will ensure that Risk management is part of the process for delivering policing and crime reduction in Cumbria through the Constabulary and our wider Partners. We will do this by:

- Maintaining an effective risk management strategy, a framework through which the strategy is implemented and a risk register to manage risks
- Holding the Constabulary and wider Partners to account in respect of their arrangements for risk management

**Objective 3:** We will ensure that there is clear ownership and accountability for risks. We will do this by:

- Establishing clear roles and responsibilities in relation to risk management within our strategy
- Ensuring all risks on our risk register has a risk owner and an action owner

**Objective 2:** We will ensure that our organisation is risk aware and that arrangements for risk management comply with best practice. We will do this by:

- Providing communications and guidance through our website to spread good practice
- Ensuring our officers are appropriately trained in risk management practice
- Subjecting our risk management arrangements to annual review

**Objective 4:** We will provide a framework for evaluating and responding to risks that is easy to understand and supports decision making. We will do this by

- Setting out a framework for risk management
- Including within the framework a methodology for scoring risks and timescale for risk review based on the risk score.

# Risk Management Framework

Our risk management framework sets out the things we have in place to manage risk and who is responsible for them. They form the substantive part of what we do to achieve our risk management objectives. The framework comprises:

## RISK MANAGEMENT FRAMEWORK

### Risk Register

Our risks are recorded on a risk register. The register holds key information about each risk including a description of the risk, a score for the risk, what we are doing to manage the risk currently and any further actions we plan to take. It identifies the risk owner and the score determines how frequently that owner will review the risk to ensure we are taking appropriate action. The risk register groups risks into three risk categories; strategic risks, operational risks and project risks.

## RISK MANAGEMENT FRAMEWORK

### Risk Classification

Risks are grouped on our risk register into one of three classifications. The classification determines who is responsible for managing the risk and how those risks are managed. The classifications are:

- Strategic Risks – risks that threaten the achievement of strategic objectives such as those in our policing plan and other core strategies.
- Operational Risks – these are risks to our operating systems, service delivery and the objectives in our business plans.
- Project Risks – risks identified as being significant to the projects being undertaken by the Commissioner.

## RISK MANAGEMENT FRAMEWORK

### Risk Methodology

Risk Methodology is about how we score our risks. Our strategy sets out a consistent way to do this that takes account of the impact of the risk and likelihood of it occurring. The higher the risk score the more frequently we will assess the actions that we have in place to mitigate the risk. We score both the inherent risk and the mitigated risk. The inherent risk score tells us what the impact of the risk could be if we took no action whilst the mitigated score tells us how much we have reduced the risk as a result of things we do to manage it.

## RISK MANAGEMENT FRAMEWORK

### Police & Crime Plan

The Police and Crime Commissioner has a Police and Crime Plan which identifies the work to be undertaken by the Commissioner, the Office of the Police and Crime Commissioner; and how policing will be delivered in Cumbria. The development of the plan informs our work in relation to

strategic risks. Strategic risks are incorporated within the strategic risk register which is approved by the Police and Crime Commissioner and presented to the Audit and Standards Committee for scrutiny. Operational risks are included within the operational risk register and are actively managed through the Commissioner's Office under the direction of the Chief Executive.

## RISK MANAGEMENT FRAMEWORK

### Project Risks

Project risks are managed very dynamically due to the more limited timescale across which projects are typically delivered. They are reviewed prior to each project board and presented to each meeting. This means that the pace of the project and the frequency of meetings are aligned to the review of risks. The terms of reference for all project boards includes responsibility for managing project risks.

## RISK MANAGEMENT FRAMEWORK

### Risk Review

Our overall arrangements for risk are reviewed annually by the Chief Executive as part of the review of wider governance arrangements. The review is reported in the Annual Governance Statement alongside our Statement of Accounts, which is approved by the Police and Crime Commissioner. The statement is subject to external audit and presented with the Accounts to our Audit and Standards Committee.

## RISK MANAGEMENT FRAMEWORK

### Risk Appetite & Tolerance

Risk appetite is developed in the context of the organisation's risk management capability. It is not a single, fixed concept and there will be a range of appetites for different risks which need to align. Risk appetite must take into account differing views at a strategic and operational level and these may vary over time. If a level of risk is not acceptable then it must be managed accordingly. Risk tolerance allows for variations in the amount of risk COPCC is prepared to tolerate for a particular activity or project. How COPCC will deal with risk tolerance for all its risks and this is addressed within the methodology section of this strategy.

COPCC will strive to manage both strategic and operational risks to a level which is acceptable or where it is negated, taking into account the costs of any mitigations which are required. Depending upon the circumstances it may be necessary to set a different risk appetite for a particular area of business or project but the general default position for COPCC will be medium/cautious.

The OPCC has a Risk Matrix which illustrates assessments of the likelihood and impact scores which are plotted onto a (4 x 4) Risk Matrix. This determines the level of inherent risk and, later, to demonstrate the residual position after the application of controls to mitigate and reduce risk

<b>LIKELIHOOD</b>	Very High	4	4	8	12	16
	High	3	3	6	9	12
	Medium	2	2	4	6	8
	Low	1	1	2	3	4
			1 Low	2 Medium	3 High	4 Catastrophic
<b>Magnitude of Impact</b>						

**Key**

<b>Risk Management Action Level</b>	<b>Low Priority No additional action needed Maximum review time frame 12 months</b>	<b>Some additional activity may be necessary Maximum review time frame 6 months</b>	<b>Activity required in current year Maximum review time frame 3 months</b>
-------------------------------------	---	---	---

**RISK MANAGEMENT FRAMEWORK**

**Risk Responsibility**

Our strategy allocates specific roles and responsibilities to members and officers for Risk Management. This ensures there is clarity and accountability for ensuring our practices are embedded and our objectives are achieved.

**RISK MANAGEMENT FRAMEWORK**

**Fraud Risk Assessment**

Fraud risk assessment is used to assist staff to identify and deal with any suspected risk of fraud and ensure that adequate and effective internal control arrangements are in place. As part of the preparation process for the financial statements of accounts, evidence and assurances are provided for scrutiny to the external auditors. This information is then assessed and incorporated into the final statement of accounts. Our independent Joint Audit and Standards Committee is provided with a copy of the final statement of accounts for consideration and can monitor any fraud issues which are raised.

We have an Anti-Fraud and Corruption Policy which provides staff with information on fraud and corruption including contact details for the reporting of any concerns. Our independent Joint Audit and Standards Committee reviews the policy and ensures that it meets recommended practices. Also in place is a Whistleblowing Policy (Confidential Reporting) which provides effective mechanisms for 'open' and 'confidential' reporting of wrongdoing.

## RISK MANAGEMENT FRAMEWORK

### Internal Audit

Our arrangements for risk management and those of the Constabulary are subject to internal audit provided as part of a shared internal audit service within Cumbria. The service has adopted the Public Sector Internal Audit Standards (PSIAS) which ensures that they undertake risk based internal auditing. This methodology is used to help our organisation accomplish its objectives. Our independent Joint Audit and Standards Committee receives the findings of audit work and monitors the implementation of actions following any audit recommendations.

## RISK MANAGEMENT FRAMEWORK

### Decision Making and Risk

Our reporting formats include a section on the risk implications of any decision and course of action. This ensures that decisions are taken on an informed basis and agreement can be reached on how risks should be managed.

## RISK MANAGEMENT FRAMEWORK

### Lead Officer for Risk

Our Governance & Business Services Manager is designated as lead officer for risk. This means that one of our staff has specific responsibility for maintaining an up to date awareness of risk management practices and ensuring we embed a risk aware culture. Our lead officer attends risk management meetings with the Constabulary to assure their arrangements and that our risk registers are aligned where it is appropriate. This is one of the ways we hold the Constabulary to account for their risk management arrangements.

Collectively this framework ensures that we have a systematic approach to managing our risks. It facilitates proper consideration of the implications of decisions and actions and provides a mechanism through which we can evaluate how well our approach is working in practice. Internal and external audit provide a further layer of validation and scrutiny of our arrangements.

## Risk Management Methodology

This strategy adopts a risk management methodology to assess the impact of a risk should it materialise and the likelihood of this happening. This methodology plays an important part in determining how much attention we need to give to managing specific risks through helping us to consider the implications should they arise. The methodology involves scoring risks based on the likelihood of the risk happening and the impact. It uses a 4x4 matrix that produces a risk score of between 1 and 16.

RISK MATRIX : LIKELIHOOD		
Likelihood Score	Description of likelihood over the next 4 years	
4	Very High	Will undoubtedly happen, possibly frequently
3	High	Will probably happen, but not a persistent issue
2	Medium	May happen occasionally
1	Low	Not expected to happen, but is possible

### RISK MATRIX: IMPACT

Impact Score	Description					
		IMPACT ON SERVICE OBJECTIVES	FINANCIAL IMPACT	IMPACT ON PEOPLE	DURATION OF IMPACT	IMPACT ON REPUTATION
4	Catastrophic	Unable to function, inability to fulfil obligations – total failure of at least 2 areas of activity	Severe financial impact (Above £5m / budget implications)	Internally – wholesale resignation, unable to staff OPCC Externally – service user death	In excess of 1 year to recover pre event position	Severe damage to reputation Sustained and prolonged national media interest PCC resignation
3	High	Significant impact on service provision – total failure of at least 1 area of activity with impact across all areas of business	Significant financial impact (over £1m)	Internally – increased staff turnover/ shortage Externally – general/systemic poor user experience	Between 6 months to 1 year to recover to pre event position	Significant damage to reputation Short term national / longer term local media interest

2	Medium	Material impact on service objectives – at least 2 areas of business / several personal objectives	Material financial impact (over £250k - £1m)	Internally – high level of staff absences Externally – multiple poor service user experience	Between 2 to 6 months to recover to pre event position	Adverse publicity, noticeable damage to reputation. Short term local media interest
1	Low	Some impact on service objectives – single area of business/ individual objectives	Some financial impact (up to £250k)	Internally - low morale Externally – some poor service user experience	Up to 2 months to recover	Some damage to reputation 1 day local media interest

## RISK MANAGEMENT METHODOLOGY

### Using the Methodology

There are a number of steps to using our methodology to ensure that risks are effectively considered and appropriate controls are put in place to manage them.

Firstly the inherent or base risk score is calculated. This is the risk score that would result if there is no action taken to manage the risk. Using the matrix above a score would be calculated by multiplying the likelihood score with the impact score. It is important to understand this base risk as it helps us to assess what might happen if the measures we put in place to manage the risk fails or if we put nothing in place. It supports decision making on the level of effort that should be directed towards reducing the risk.

Once the base risk has been scored, consideration is given to what we can do and what we are doing to reduce the risk. These are our risk control measures. The risk is then scored again, taking into account the effects of our actions. This produces a mitigated risk score against which we can then decide to do one of four things:

- Take/Tolerate - We decide to accept the risk and take no further measures
- Transfer - We transfer all or part of the risk, for example through insurance or to other agencies/contractors
- Reduce - We introduce additional control measures to reduce the risk
- Avoid – We aim to eliminate the risk, for example by ceasing to provide a service or by doing something a different way

If we choose to transfer, treat or terminate the risk we then update our mitigated risk score once these actions have been taken. The overall inherent and mitigated risks scores are reviewed cyclically with the score determining how often we do the review. Risks with scores of between 8 and 16 are reviewed on a quarterly basis; and those scoring between 4 and 6 are reviewed every 6 months. All other risks are reviewed at least annually. The exception is project risks that are reviewed at each project board meeting due to the limited life of project activity and the impact of risk on project delivery.

The inherent and mitigated risk score, control measures and any additional planned control measures are documented within our risk register. We assign a 'RAG' rating (Red, Amber and Green) to identify whether a risk is Acceptable (Green); Tolerable with actions (Amber); or Unacceptable with urgent action required (Red) to each of the COPCC risks. This assists in the easy identification of those risks which require urgent attention or close monitoring to those which can be reviewed on a less frequent basis.

The register identifies the review frequency and the officer responsible for managing the risk. Strategic risks under the direction of Police and Crime Commissioner are presented at least annually to the Audit and Standards Committee with this risk strategy. At each quarterly meeting of the Committee, strategic risks which have been reviewed during the last quarter are presented for their oversight.

# Risk Management Responsibilities

Our strategy allocates specific responsibilities to key individuals, and any OPCC committees and boards to ensure clear lines of accountability for managing risk. This section of our strategy sets out those responsibilities.

## RISK MANAGEMENT RESPONSIBILITIES

### The Police and Crime Commissioner

The Police and Crime Commissioner has strategic responsibility for the overall arrangements for risk management. An annual governance statement is approved annually by the Commissioner which includes a commentary on the effectiveness of risk management arrangements by the Commissioner's Chief Internal Auditor.

The Commissioner is responsible for strategic risks as identified within the strategic risk register and for understanding and challenging risks as part of their processes for developing policy and decision making.

The Commissioner has responsibility for holding the Constabulary and wider partners to account for their arrangements in respect of risk management and providing public assurance of such. The Commissioner annually approves the risk management strategy and takes overall responsibility for the strategic risk register.

## RISK MANAGEMENT RESPONSIBILITIES

### Chief Officers

The OPCC Chief Executive has responsibility for maintaining comprehensive systems of internal control including risk management processes. The Chief Executive also has responsibility for ensuring an operational risk register is maintained to support the management of those risks that may impact on the delivery of the OPCC business plan.

The Chief Executive reports on the effectiveness of arrangements for risk management within the Annual Governance Statement to the PCC and to the Audit and Standards Committee. The Chief Finance Officer has responsibility for ensuring appropriate internal audit arrangements are maintained and for insurance in respect of those risks that are transferred.

## RISK MANAGEMENT RESPONSIBILITIES

### Managers and Staff

Managers and staff - have responsibility for the strategic and operational risks arising in their service areas. Managers must ensure teams carry out risk assessments to inform control measures and mitigating action. Staff are responsible for ensuring risks that may impact on the delivery of their business objectives are recorded in the strategic and operational risk register and actively managed.

Where a risk is identified by a manager or member of staff which affects another part of COPCC's business then this will be highlighted to the appropriate manager or member of staff for inclusion within the register. A risk which is considered to have a significant effect on medium to long term

objectives can be escalated to the Executive Team for consideration, inclusion within the strategic risk register and appropriate action identified and instigated. Following their consideration it may be reported to the Commissioner to appraise them of the issues.

OPCC staff are able to receive direction and instruction regarding their responsibilities for operational risk from a number of sources. These include – information contained within policy/strategy and procedure manuals; as part of their induction process; from their line manager; the lead officer for risk and specific training courses where required.

## RISK MANAGEMENT RESPONSIBILITIES

### Project Managers

Project managers are responsible for ensuring any project risks are actively recorded on a project risk and issues log. All risks should be scored in line with the agreed risk methodology within this risk strategy and reported to the project board to ensure appropriate action is taken. As part of updates or project reports any identified risks should be reported upon, with particular attention to those which may disrupt or halt the project.

## RISK MANAGEMENT RESPONSIBILITIES

### Joint Audit and Standards Committee

The Office of the Police and Crime Commissioner and the Constabulary have in place a Joint Audit and Standards Committee which has independent membership.

The Committee will examine evidence provided by internal and external audit and other governance areas to ensure that we demonstrate we are actively managing our risks. This provides independent assurance to the Commissioner, Chief Executive and Chief Finance Officer.

The relevant terms of reference of the Joint Audit and Standards Committee are:

- Monitor the effective development and operation of risk management, review the risk profile, and monitor progress of the Police and Crime Commissioner and the Chief Constable in addressing risk-related issues reported to them.
- Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- Review arrangements for the assessment of fraud risks and potential harm from fraud and corruption and monitor the effectiveness of the counter-fraud strategy, actions and resources.

## RISK MANAGEMENT RESPONSIBILITIES

### Internal and External Audit

Internal audit are responsible for periodically reviewing the effectiveness of risk management processes including the verification that controls are operating as intended. This source of independent assurance is a fundamental part of the evidence used to discharge our accountability for reviewing the effectiveness of our governance arrangements. External auditors review the annual governance statement that sets out how we have complied with our arrangement for risk

management and will test a number of financial controls that mitigate against financial risks as part of their audit work on the financial statements

## RISK MANAGEMENT RESPONSIBILITIES

### Lead Officer for Risk

The OPCC Governance & Business Service Manager is the lead officer for risk. This responsibility includes:

- Pro-actively driving forward the management of risk
- Liaison with the Constabulary, other partners and major contractors to monitor compliance with and the effectiveness of their risk management arrangements and reporting thereon to the Police and Crime Commissioner
- Monitoring the implementation of the risk management action plans of both the OPCC and Constabulary
- Bring to the attention of the Police and Crime Commissioner and/or Audit and Standards Committee any concerns about the arrangement for risk management
- The provision of a risk register system to aid the recording, review, analysis and reporting of strategic and operational risks
- Maintaining an up to date awareness of risk management practice and leading on communications and guidance to support the embedding of a risk aware culture

