RISK MANAGEMENT

PROCEDURES AND GUIDANCE

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Probation Board for Northern Ireland

Risk Management Procedures and Guidance

Document Control Sheet

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Probation Board for Northern Ireland

Risk Management Procedures and Guidance

Contents

Probation Board for Northern Ireland

Risk Management Procedures and Guidance

1. Purpose

PBNI recognises that good corporate governance plays a major role in the organisation, delivering a robust and effective system of risk management. To deliver its Risk Management Strategy, PBNI has risk management embedded in all part of its business and organisation.

The culture of PBNI reflects an organisation that anticipates and manages risks rather than avoiding them and does so in a no blame culture where mistakes or concerns are elevated and managed.

The purpose of the Risk Management Procedures and Guidance is to achieve the objectives of the policy and to set out a framework that will enable staff to:

- Identify, control and eliminate or reduce to an acceptable level all risks that may adversely affect:

  o The quality of services, programmes and projects
  o The ability of PBNI to provide services, programmes or projects
  o The health, safety and welfare of staff, contractors, offenders and others
  o The ability of PBNI to meet its legal and contractual commitments

- Minimise the chance of being exposed to an unidentified risk
- Understand the risks PBNI faces; know the causes, control measures and the cost of risk
- Promote an environment of transparency and openness where adverse incidents are identified quickly and dealt with in a positive and responsive way.
- Understand the underlying causes of adverse incidents and ensure that lessons are learned from the experience.
- Ensure that managers and staff at all levels in PBNI are clear about their personal responsibilities with regard to risk management.
- Reduce risk to employees and others, manage and control them where acceptable, transfer risk where unacceptable or unavoidable.

This guidance document will provide a system for evaluating the known or potential risks within the organisation and then categorising them. Each risk identified will be classified according to its potential impact on PBNI and the likelihood of its occurrence. These identified risks will be entered onto Departmental Risk Registers or the Strategic Risk Register with action plans to eliminate the risks, or at least reduce them to an acceptable level.

Risks identified in the Departmental Risk Registers as H/H or HM/MH (Red) will be discussed with the relevant Director to decide if the risk(s) should be escalated to the Strategic Risk Register.

Risks identified in the Strategic Risk Register as L/L OR LM/ML (Green) will automatically revert to the relevant Departmental Risk Registers after discussion at Audit and Risk Management (ARM).

Risk identified in the Strategic Risk Register as LH/HL OR M/M (Amber) will be discussed at ARM to decide if the risk(s) should be de-escalated to the relevant Departmental Risk Registers.

2. Roles and Responsibilities

The management of risk is a key organisational responsibility. Members of the Board and employees all have a major role to play in identifying and minimising inherent risks. The responsibilities for risk management for different roles within the organisation are set out below:

2.1. Chief Executive

The Chief Executive, as Accounting Officer, has overall responsibility for managing the risks faced by PBNI. The Chief Executive is to provide leadership and strategic management of the risks faced by PBNI and ensure compliance with PBNI's risk management guidance. There is a requirement for the Accounting Officer to sign off an annual Statement on Internal Control which accompanies the annual accounts. In order to fulfil this responsibility there is a need for a risk management system to be fully embedded and operational within PBNI. The Accounting Officer will champion the risk management system and ensure that appropriate commitment is given from across the organisation.

2.2. The Board

The Board provides for the highest level of governance within PBNI. It provides strategic direction and oversight.

The Board is responsible for:

- Determining the appropriate level of risk that PBNI will carry in relation to specific major activities or projects, and across the organisation as a whole;
- Monitoring the management and control of significant risks to reduce the likelihood of unforeseen occurrences;
- Ensuring that appropriate controls are in place and working effectively;
- Annually reviewing the Board's approach to risk management, and approving changes or improvements to key elements of its processes and procedures; and
- Ownership of the Strategic Risk Register, being a register of key risks at Board level.

In order to allow the Board to perform these duties they should receive regular reports from the Chairman of the Audit and Risk Assurance Committee (ARAC).

The members of the Board are also responsible for setting the tone and influencing the culture of risk management within the organisation. This includes determining what types of risk are acceptable and which are not, setting the standards for staff with respect to conduct and probity, and ensuring line management and staff are aware of their risk and control responsibilities.

2.3. Audit and Risk Assurance Committee (ARAC)

The committee is made up of Board Members with internal and external audit representatives also in attendance. It provides assurance to the Board on the effectiveness of risk management within PBNI. It reviews PBNI's Strategic Risk Register and assurance framework and challenges how risks are managed.

The Board has agreed that the ARAC should hold the Chief Executive, as Accounting Officer, to account, on behalf of the Board, for the risk management framework.

The ARAC should report to the Board on the internal risk controls and alert them to any emerging risk issues. In light of its responsibility to oversee internal audit, external audit and the risk management framework, the ARAC will provide advice to the Board on the effectiveness of the PBNI systems for the management and control of risk.

The ARAC will review the Strategic Risk Register quarterly and the Stewardship Statements twice yearly and departmental Risk Registers upon request to the Chief Executive. In addition, it will consider and advise the Board on any escalation or de-escalation of risks between the Strategic and Departmental Risk Registers. ARAC has the discretion to maintain a risk assessed as low on the Strategic Risk Register.

2.4. Audit & Risk Management Group (ARM)

The ARM, comprising of all senior managers, will oversee the strategy for the management of risk, including identification and assessment of risk in operational, corporate services and strategic areas, along with measures to reduce risk and monitor effectiveness.

The ARM will take forward the programme of work arising from the strategy for the management of risks, including the risk management policy, this risk management guidance, the Strategic Risk Register and the departmental Risk Registers, the completion of an annual self-assessment and from any other matters relevant to the management of risk in PBNI.

To ensure and monitor its effectiveness, members of the ARM will complete an annual self-assessment (See Appendix D).

Draft Minutes of the ARM will be presented at the next ARAC meeting.

Terms of reference for the ARM Group are included in Appendix A.

2.5. Senior Management Team

Each member of the Senior Management Team will be responsible for ensuring that the risk management processes are embedded and are fully operational within their area of responsibility. This will involve:

• Implementing Board policies and procedures on internal control at an operational level;
• Encouraging staff to actively consider and manage risk;
• Undertaking risk reviews and carrying out necessary risk management actions;
• Act as Owners and maintain and update the Strategic and Departmental Risk registers on a regular basis as required, but at least quarterly.
• Reporting any risks for escalation or de-escalation to the appropriate senior manager;
• Communicating significant risks and control weaknesses for their area of responsibility to the ARM; and
• Notifying the ARM of any potentially significant risks and control weaknesses that could materially affect the Board's operations in the future; and
• Completion by Directors of a six monthly stewardship statement
• Completion of an annual self-assessment form.

2.6. Director of Operations

The Director of Operations will co-ordinate the updating of risk management information, including the Strategic and Departmental Risk Registers.

2.7. Employees

All employees are expected to fulfil the following:

• Work within the PBNI policies on risk management;
• Alert management to emerging risks or control weaknesses;
• Participate fully in the regular risk review process; and
• Assume responsibility for risks and controls within own areas of work.

2.8. Internal Audit

Although risk management and internal control are the responsibility of management, Internal Audit has an interest in effective control. Internal Audit's primary objective is to provide independent assurance on the effectiveness of the risk management internal control framework (and therefore risk management) to both the PBNI management and the ARAC. It does this by carrying out audits across the departments focused on the key risks in the business area. Internal Audit also has a key role to play in strengthening the overall process by:

• Monitoring, reporting and providing assurance on the effectiveness of the risk and control mechanisms in operation; and
• Promoting risk management and control concepts across PBNI.

Governance Framework

3. Risk Identification and Management Framework

3.1. Principles of Risk Analysis

A strategic approach to risk management depends on identifying risks against key organisational objectives. Risks relevant to these objectives are then considered and evaluated.

The following are three important principles for analysing risk:

- o Adopt a consistent approach throughout the organisation.
- o Ensure that there is a clear process so that each element or level of risk identification fits into an overall structure.
- o Establish a framework, approved by the Board, within which each risk is to be identified.

A key to undertaking a successful risk self-assessment is the contribution and commitment of staff at all levels to identify and categorise the risks for their business areas. The most effective and practical method of doing so is through periodic risk management workshops at corporate, departmental or team level. The process is represented in the chart on the next page

It is recommended that the whole process be completed when setting objectives in order to ensure that objectives are sound and to fully inform decisions made on the management of risk. It is important that each completed stage of the process is recorded on the templates (risk registers) and retained. This will provide a management trail of the decision making process and is also essential for reviewing the original assessment.

3.2. Stage 1 – Defining Objectives

An important step is to define objectives clearly. The risk management process integrates with this step, reassessing existing risks and using the new objectives as a starting point for the risk assessment for the coming period. Initial risk assessment exercises should be targeted at the key business objectives.

When setting objectives they should be clear and reflect a desired end-result that you wish to achieve for the business area. Objectives should be tested to ensure they are **SMART.**

Specific
Measurable
Achievable
Realistic
Time-bounded

The Risk Management Process

Stage 1	**Defining Objectives**
	➢ As part of the normal business planning process
	➢ See Corporate and Business Plans

Stage 2	**Risk Identification**
	➢ Identify key business risks impacting upon each objective
	➢ Identify root causes and implications of each risk and calculate total risk score
	➢ Assign ownership of each risk

Stage 3	**Risk Evaluation & Assessment**
	➢ Evaluate likelihood and impact of each risk
	➢ Identify current controls
	➢ Score the effectiveness of the current controls

Stage 4	**Risk Appetite**
	➢ Set the risk appetite
	➢ Consider application of risk appetite

Stage 5	**Risk Management**
	➢ Consider Control Enhancements
	➢ Consider Action Planning

Stage 6	**Risk Monitoring and Reporting**
	➢ Risks formally reviewed quarterly

3.3. Stage 2 – Risk Identification

Now that objectives have been agreed along with the key stages of the business process, the next step is to begin identifying key business risks that could impinge on that objective. It is also important to identify risks to on-going activities where there are not specific objectives set-out in the annual business plan.

Risk assessment is a subjective exercise and can provide only reasonable but not absolute assurance. Discussion within each business team is the key to successfully identifying risks. Those identified in isolation rarely capture all the issues. It is essential to identify the appropriate people to undertake the evaluation.

Undertake a short workshop session to identify risks. Risks should usually not just be the flip side of objectives set (i.e. the risk that we do not achieve the objective). Try and concentrate on the inherent risks that exist i.e. the level of risk that exists without any control mechanisms in place. It is therefore important to focus on what factors could prevent the achievement of the objective.

To understand the risk and subsequently identify ways to manage it, the underlying root causes should be identified, as should the implications of the risk occurring.

Ownership is assigned to the manager with operational responsibility for managing that risk.

The details derived during the course of the risk identification process are entered on the appropriate risk register. Refer to Appendix B.

3.4. Stage 3 – Evaluate Risks

With a number of business risks identified you now need to consider which of these risks are the most significant. While there is no limit to the number of key risks that you may identify an exhaustive list may become counterproductive. Think of the risks that might "keep you awake at night"!

The significance of each risk should be assessed in terms of impact and likelihood.

3.4.1. Likelihood

The probability of the risk being realised will be expressed in terms of Low (L), Medium (M), High (H) using the definitions stated in the matrix below and in the context of existing controls being in place.

3.4.2. Risk Likelihood Matrix

Likelihood	% chance of risk occurring	Definition	Description
Low (L)	Less than 25%	• **Strategic** – Small chance of occurring during the lifetime of a strategy. • **Programme/Project** – Not likely to occur during the lifecycle of the project or programme. • **Operational** – Does not happen often – once every six months.	Has not happened, or happened in a very limited way
Medium (M)	25% to 75%	• **Strategic** – Only likely to happen every 3 years or less, therefore may well occur during the initiative. • **Programme/Project** – May occur during the life of the programme or project. • **Operational** – May happen on a monthly basis.	Has occurred before, but not often and may have been in a limited way
High (H)	More than 75%	• **Strategic** – Likely to happen at some point during the next one or two years. • **Programme/Project** – Likely to happen in the life of the programme or project. • **Operational** – May well happen on a weekly basis.	Occurs from time to time and may do again in the near future occasionally

3.4.3. Impact

The effect of the risk being realised will be expressed in terms of Low (L), Medium (M), High (H).

3.4.4. **Risk Impact Matrix**

Impact	Public Protection	Injury / Loss of Life	Damage to Property	Financial Loss	Service Delivery	Damage to Reputation / Bad Publicity
Low (L)	Possible potential for a public protection issue to emerge on a single case possibly leading to injury of some kind.	Minor injury requiring medical treatment	Damage to property requiring repair to ensure Health & safety of occupants	Up to £150 000	Low / minimal impact on service delivery activity	Complaints decision appealed
Medium (M)	Real potential for a public protection issue to emerge that could affect a single case, possibly leading to serious injury or mental trauma.	Serious injury resulting in hospitalisation or long-term time off work.	Serious damage to property requiring immediate repair to ensure Health & Safety of occupants	£150 001 to £1 000 000	Moderate impact on service delivery activity	DOJ/ Assembly intervention. NI media coverage
High (H)	Public protection issue around a single case, leading to potential injury or loss of a life	A permanent injury or death	Property destroyed or not safe for use	More than £1 000 000 Fraud, corruption and serious irregularity at Management levels	Significant impact on or stoppage to service delivery activity	Potential for Westminster intervention. National TV/ press (UK/ROI) coverage.

3.4.5. **Risk Rankings**

The risk rankings are determined by combining the likelihood and impact scores and will be expressed in terms of numerical rankings from 1 to 9 where:

- 1 to 2 indicates low risk and no additional action required to manage the risk.
- 3 to 4 indicate medium risk and limited additional action is required to manage the risk effectively.
- 6 to 9 indicate high risk and additional action is required to ensure effective management of the risk.

3.4.6. **Risk Rankings Matrix**

Likelihood		Impact	
High	H/L 3	H/M 6	H/H 9
Medium	M/L 2	M/M 4	M/H 6
Low	L/L 1	L/M 2	L/H 3
	Low	**Medium**	**High**

Impact

Key		
High Risk - Action required	**Medium Risk - Limited action required**	**Low Risk - No action required**

3.5. Stage 4 – Risk Appetite

Once risks are identified and evaluated they need to be considered against the organisation's appetite for risk i.e. the extent of exposure that is judged tolerable. It is about finding the acceptable balance by comparing the cost (financial and otherwise) of constraining the risk with the cost of the exposure should the exposure become a reality.

PBNI's risk appetite is not static, in particular the Board has the freedom to vary the amount of risk which it is prepared to take depending on the circumstances at the time. For each risk identified the risk appetite should be determined by reference to the table below:

3.5.1. Risk Appetite Matrix

Category of Risk	Averse	Open	Hungry
Definition	• Avoidance of risk and uncertainty or for safe options that have a low degree of inherent risk and may only have limited potential for reward is a key objective.	• Willing to consider all options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward	• Eager to be innovative and to choose options based on potential higher rewards (despite greater inherent risk)
Reputation, Political and Societal	• Minimal tolerance for any decisions that could lead to scrutiny of PBNI • Is limited to those events where there is little chance of any significant repercussion should there be a failure	• Appetite to take decisions with potential to expose PBNI to additional scrutiny but only where appropriate steps have been taken to minimise exposure	• Appetite to take decisions which are likely to bring scrutiny of PBNI but where potential benefits outweigh the risks
Operational	• Decision making authority generally held by senior management • Defensive approach to objectives – aim to maintain or protect, rather than to create. Innovations generally avoided unless necessary • Priority for tight management controls and oversight with limited devolved decision making • General avoidance of systems/ technology developments. Occasional developments are limited to improvements to protect current operations	• Responsibility for non-critical decision may be devolved • Innovation supported, with demonstration of commensurate improvements in management control • Systems/technology developments considered to enable operational delivery	• High levels of devolved authority – management by trust rather than tight control • Innovation pursued – desire to 'break the mould' and challenge current working practices • New technologies viewed as a key enabler of operational delivery
Financial	• Avoidance/limited financial loss is a key objective • Only willing to accept the low cost option • Resources withdrawn from non-essential activities or restricted to core operational targets	• Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level • Value and benefits considered (not just cheapest price) • Resources allocated in order to capitalise on potential opportunities	• Prepared to invest for the best possible reward and accept the possibility of financial loss (although controls may be in place) • Resources allocated without firm guarantee of return – 'investment capital' type approach

Category of Risk	Averse	Open	Hungry
Compliance - legal	• Avoid most things which could be challenged even unsuccessfully • Limited tolerance for sticking neck out. Would want to be reasonably sure of successful outcome of any challenge • Play safe	• Challenge will be problematic but we are likely to win it and the gain will outweigh the adverse consequences	• Chances of losing are high and consequences serious. But a win would be seen as a great help

3.6. Stage 5 – Risk Management

Having identified and prioritised the significant risks and identified the controls in place or planned for the future, the aim at this stage of the process is to establish the effectiveness of the controls in place and determine an appropriate course of action for the management of the risk:

- **Tolerate** – Our ability to take effective action against some risks may be limited, or the cost of taking action may be disproportionate to the potential benefit gained. In this instance the only management action required is to monitor the risk to ensure its likelihood or impact does not change. If new management options arise it may become appropriate to treat this risk in the future.

- **Transfer –** It may be appropriate to address some risks through insurance. Certain risks may also be shared with our stakeholders or service providers. Contracting out can transfer some, but not all of our risks but this often introduces a new set of risks to be managed and monitored.

- **Treat –** By far the greatest number of risks will involve this strategy. The purpose of treatment is not necessarily to terminate the risk but, more likely, to set in place a series of mitigating controls to contain the risk to an acceptable level e.g. by building checks and controls into the operational process, staff training, improved cases management systems etc.

- **Terminate –** This is a variation of the "Treat" approach and involves quick decisive action to eliminate risk altogether e.g. by adopting an exit strategy. The introduction of new technology may also remove certain existing risks, though it will often result in a new set to be addressed.

In order to treat the risk an action plan is required. As a minimum this should cover the action taken to improve the result, proposed timescales for implementation, who will perform it, how often and how it is to be evidenced.

3.7. Stage 6 – Risk Monitoring and Reporting

The aim of this stage is to ensure that the risks identified and the effectiveness of the associated controls is formally reviewed by management on a quarterly basis. The results of the reviews will be a standing item on the agenda for the ARAC. The purpose of this formal monitoring is to provide a structure for managers to regularly consider and discuss risks. In addition the process will support and provide assurance to the Chief Executive in their role as Accounting Officer.

3.7.1.Monitoring

Managers should use the Business and Corporate plans to review the ongoing relevance of their objectives and assess the current validity of risks in terms of the scores allocated for likelihood of occurrence and impact. It should be appreciated that risk factors will change as objectives change or even if business priorities change.

3.7.2.Reporting

There will be ongoing and formal reporting of the risk management process. The ongoing reporting process will be supported by meetings and evidenced by submission of six monthly Stewardship Statements and updates of risk registers as required. The regular meetings of the ARAC will review risk management issues as a standing agenda item.

A Stewardship Statement (Refer to Appendix C) is the standard form which Directors will complete and submit for review by the Chief Executive. The reporting process will be managed by the Director of Operations.

The importance of the Stewardship Statements to the embedding of the risk management process is in providing personal assurance from managers that they have exercised their responsibilities relating to risk management. It will be the responsibility of the Director of Operations to ensure that a system is in place to track the receipt of statements.

Risk Management will form part of the annual report written by the Chairman of the ARAC for presentation to the Board. It will be based on the issues dealt with during the year and any other pertinent points. It will also be used by the Chief Executive, as Accounting Officer, as a source of assurance to contribute to the Accounting Officer's Governance Statement in the Annual Report & Accounts as part of PBNI's corporate governance processes.

4. Embedding Risk Management

4.1. Framework

The Chief Executive, as Accounting Officer, will have overall responsibility for this Risk Management Guidance and key activities associated with risk management within PBNI.

The risk environment is constantly changing and developing as the organisation's priorities and objectives develop. The risk management process is therefore dynamic and ongoing and will require constant review of risks and the consequent adjustment of controls to manage these risks. The principle adopted by this Guidance is to ensure that the risk management process is embedded into the structures of the organisation at every level.

4.2. Examples of Key Risks

The nature of the services delivered by PBNI give rise to certain risks that in themselves require significant risk management arrangements to be embedded in the organisation to ensure the risks are adequately managed and monitored. These risks are identified below and the embedded risk management framework for each is then summarised:

- Risks posed by offenders as a result of re-offending whilst under PBNI supervision

- Risks to the health & safety of staff and offenders arising during service delivery
- Risks arising from the management of information especially personal information of staff and offenders
- Risk of incidents that threaten business continuity

4.2.1. Risk posed by offenders

PBNI manages offenders across the risk continuum of low risk through to high risk, including those designated at risk of serious harm to others. The supervision of offenders is a core activity within PBNI and there are two Directors appointed to oversee all areas of service delivery related to offenders which is predicated on effective risk management. The framework that is embedded within PBNI can be summarised as follows:

- Policy documents approved by Board including Best Practice Framework, incorporating Northern Ireland Standards , Risk of Serious Harm Policy and Child Protection Policy
- Procedure and Guidance documents approved by Senior Management
- Mandatory and elective training of staff in appropriate policies and procedures
- Regular Risk assessment of offenders
- Regular supervision by line managers by Probation Officers including review of caseload
- Inspections by Criminal Justice Inspection Northern Ireland
- Out of Hours arrangements to respond to incidents
- Serious Further Offending Incident reporting arrangements including escalation and reporting procedures
- Investigation of Serious Further Incidents and implementation of lessons learned

4.2.2. Health & Safety risk

The risks posed to the health & safety of staff and offenders during service delivery is significant and if not managed could lead to serious injury or even death. PBNI has appointed a Health & Safety Officer to oversee implementation of Health & Safety risk management. The Health & Safety risk management framework that is embedded within PBNI can be summarised as follows:

- Policy documents approved by Board
- Procedure and Guidance documents approved by Senior Management
- Mandatory and elective training of staff in appropriate Health & Safety policies and procedures
- Risk assessment of identified health & safety risk areas
- Regular reporting by teams on risks identified in the workplace
- Compliance inspections
- Incident reporting arrangements including escalation and reporting procedures
- Investigation of health & safety incidents and implementation of lessons learned
- Regular reporting to Senior Management and Board

4.2.3. Information Assurance risk

The risks posed by the management of information especially personal information of staff and offenders is significant and if not managed could lead to serious reputational damage to PBNI and could endanger the lives of staff or offenders. PBNI has appointed a Records Officer to implement effective records management within PBNI. The Information Assurance risk

management framework that is embedded within PBNI can be summarised as follows:

- Policy documents approved by Board including Management of Information Policy and Information Assurance Policy
- Procedures and Guidance documents approved by Senior Management
- Business Continuity and IT Disaster Recovery plans
- Mandatory and elective training of staff in appropriate policies and procedures
- Accreditation of PBNI IT network to "Restricted" classification and annual re-accreditation review
- Annual identification of files for destruction and review by PRONI
- Secure off site storage arrangements for closed files
- Data Sharing Protocols to govern sharing of personal data
- Arrangements for secure destruction of records
- Internal Audit reviews of compliance with policies and procedures
- Incident reporting arrangements including escalation and reporting procedures
- Investigation of data loss incidents and implementation of lessons learned
- Regular reporting to Senior Management and Board

4.2.4. Business Continuity risk

The risks of incidents that pose a significant risk to the ability of PBNI to continue with its day to day business could have a significant impact. PBNI has developed a Business Continuity Plan and IT Disaster Recovery Plan that set out the appropriate responses to incidents relating to staff eg pandemic flu, Facilities e.g. fire or flood at an office and IT services e.g. damage to servers The Business Continuity Risk Management framework that is embedded within PBNI can be summarised as follows:

- Business Continuity Plan approved by Senior Management
- IT Disaster Recovery Plan approved by Senior Management
- Swine Flu Contingency Plan approved by Senior Management
- Briefing of managers and staff as appropriate on above mentioned plans
- Testing of IT Disaster recovery plans
- Incident response arrangements including escalation and reporting procedures
- Investigation of incidents and implementation of lessons learned
- Reporting arrangements on incidents to Senior Management and Board

4.2.5 Bribery, Corruption and Fraud risk

Every organisation faces the risk of fraud from within. Fraud is an ever-present threat, has many forms and is always damaging. It takes away valuable resources that could be used elsewhere. Fraud is not only illegal but it also creates a very real threat to the resources available to PBNI. The following controls are in place within PBNI to address this risk:

- Anti - Fraud and Anti - Bribery Policy approved by Senior Management and Board
- Anti - Fraud and Anti - Bribery response plan approved by Senior Management and Board
- Bribery Act risk assessment reviewed by Senior Management and Audit and Risk Assurance Committee
- Physical security of assets
- Segregation of duties within Finance Department
- Access controls to IT systems
- Security vetting of potential employees

- Supervision and checking of outputs
- Audit trails
- Asset accounting including verification checks twice per annum
- Financial and budgetary controls, including authorisation limits
- Hospitality and Gifts Policy approved by Senior Management and Board
- Whistleblowing Policy approved by Senior Management and Board

5. Evaluation & Review

Implementation of this Guidance will be subject to audit by the internal audit function in the course of their normal cycle of audits.

The Guidance will be reviewed and updated at least four years from date of approval.

6. Conclusion

This Risk Management Guidance provides a framework that will allow PBNI to improve upon the high quality of services already being provided. This will be achieved through a proactive, ongoing process of risk assessment, with the objective of improved prevention, control and containment of risk.

Probation Board for Northern Ireland

Risk Management Procedures and Guidance

Appendix A – Audit and Risk Management Group (ARM) Terms of Reference

TERMS OF REFERENCE

Audit and Risk Management Group (ARM)

1.   Purpose

The ARM has been established to oversee the maintenance of PBNI's framework for the management of risk, including the identification and assessment of risks, ways to reduce risk and monitoring of effectiveness. The group will also assess progress in respect of the implementation of recommendations arising from internal audit and inspections.

2.   Duties

- To promote and lead the implementation of PBNI's risk management framework
- To review PBNI's risk management policy, procedures and guidance
- To oversee and co-ordinate strategic, operational and corporate services elements of risk management
- To ensure adequate controls are in place to manage risk
- To note progress against audit and inspection schedules
- To receive audit and inspection reports and approve organisational action plans in response to such reports
- To assess organisational progress in respect of audit and inspection recommendations

3.   Membership

The Group will be chaired by the Chief Executive or in their absence the Director of Operations and will comprise all Senior Managers.

Senior Managers (as identified for specific audits and inspections), will be invited to discuss the findings of such exercises, to confirm progress against audit and inspection recommendations or to contribute to risk management discussions.

The Director of Operations will co-ordinate updating of risk information and Inspections; while the Head of Finance will co-ordinate provision of information in respect of audit progress reporting.

4.   Reporting

The Group will report to and advise the Chief Executive who will be accountable to the Audit and Risk Assurance Committee (ARAC). The Chief Executive will discuss issues with the Senior Management Team, as appropriate.

5.   Meetings

The Group will meet on a quarterly basis. The Chief Executive may seek exceptional or more frequent meetings. The minutes of the meeting, or draft minutes approved by the Chair of the Group, shall be presented to the ARAC. The quorum for a meeting of ARM is 5 senior managers.

Probation Board for Northern Ireland

Risk Management Guidance

Appendix B – Risk Register Template

Strategic Objective:

Inherent Risk: **1:**

Inherent Risk Score at April 2015		**Risk Appetite**	Risk Owner	
Residual Risk Score Quarter 1			No of Actions to Mitigate Risk	
Residual Risk Trend since last Quarter			Date of first inclusion on register	

Controls (currently in place) / Sources of Assurance	**Identified Gaps and Actions needed to mitigate Risk**	**Responsible Officer**

Appendix C –Directors Stewardship Statement Template

SPONSORED BODY STEWARDSHIP STATEMENT

A Declaration to Support the Annual Governance Statement

Period of Assurance:	
Name:	Position:
Name of Body:	Sponsor Division:

As Director of _____for Probation Board for Northern Ireland, I am required to provide assurance to the PBNI Accounting Officer (AO) on internal control within my area of responsibility.

To assist in that process, I can confirm that I have completed the Internal Control Checklist (Appendix 1) and have set out the high level internal control processes and procedures within my areas of responsibility.

I acknowledge my personal responsibility for ensuring that the necessary controls are in place to effectively deliver good governance across my areas of responsibility. This includes the effective management of financial and non-financial resources, as set out in good management practice as well as specific guidelines or instruction issued by the Department of Justice. The budgets allocated to my areas of responsibility have not been exceeded (except where approval has been received).

I have ensured that any non-compliance with relevant guidelines or instructions has been included in this report as required and, where necessary, controls have been strengthened to prevent recurrence. The relevant sections of the checklist includes the exceptions that have occurred (which have been reported), together with the remedial /preventative actions which have been taken.

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I have reviewed my responsibilities and provide a mid-year/end-year Stewardship Statement [delete as appropriate] to support the PBNI Governance Statement which the PBNI Accounting Officer is required to sign.

Exceptions to the above are as follows:

Exception	Proposed Remedial Action

I certify that the high level processes and procedures relevant to my areas of responsibility are as outlined in this statement. There are, to my knowledge, no other significant matters arising [except where reported].

Signature ....

Name (in capitals) ....

Job Title ....

Date ....

Appendix 1

All instances of non-compliance should be carried forward to the exceptions section in the first part of the Stewardship Statement.

HR & Performance Management Requirements
I confirm that proper arrangements are in place relating to HR and Performance management, and the arrangements are satisfactorily implemented throughout the organisation in line with best practice.
Please set out high level processes and procedures in place:
• Management Statement/Financial Memorandum • Human Resources Handbook • Procedures on various elements of HR • Pay and performance bonuses decided and regulated by
Exceptions and remedial actions proposed/taken are listed below:

Health & Safety Requirements
Health and Safety Management
I confirm that proper arrangements are in place to ensure compliance with statutory Health and safety requirements, and the arrangements are satisfactorily implemented throughout the organisation in line with best practice.
Please set out high level processes and procedures in place:
Exceptions and remedial actions proposed/taken are listed below:

Financial Management Requirements:	
I confirm that my organisation is complying with the requirements contained in the Management Statement and Financial Memorandum (MSFM).	
Please set out high level processes and procedures in place:	
Exceptions and remedial actions proposed/taken are listed below:	

Procurement Requirements:	
I confirm that all procurement activity within my organisation is undertaken in accordance with Central Procurement Directorate's (CPD) guidance.	
Please set out high level processes and procedures in place:	
Exceptions and remedial actions proposed/taken are listed below.	

Business Planning and Risk Management Requirements

I confirm that Business Plans and Risk Registers within my organisation have been satisfactorily completed in line with best practice guidance and statutory requirements (if applicable).

Please set out high level processes and procedures in place:

Exceptions and remedial actions proposed/taken are listed below.

Corporate Governance Requirements

I confirm that appropriate governance arrangements are in place within my areas of responsibility, including conflict of interest registers, policies on the use of external consultants and guidance on gifts and hospitality.

Please set out high level processes and procedures in place:

Exceptions and remedial actions proposed/taken are listed below.

Security Requirements

I confirm that security policies are in place and are monitored regularly to ensure adherence, including those that apply to information systems.

Please set out high level processes and procedures in place:

Exceptions and remedial actions proposed/taken are listed below.

Internal Audit – Outstanding Priority 1 Recommendations.

I confirm that all outstanding priority 1 recommendations within my areas of responsibility have been actioned.

Please list exceptions including audit title, priority 1 description and target date for completion.

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Northern Ireland Audit Office (NIAO): Outstanding Priority 1 Recommendations.

I confirm that all outstanding priority 1 recommendations within my areas of responsibility have been actioned.

Please list exceptions including audit title, priority 1 description and target date for completion.

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Appendix D – Audit and Risk Management Group (ARM) Annual Self-Assessment

Introduction

The Audit and Risk Management Group (ARM) has agreed terms of reference and reports to the PBNI Audit and Risk Assurance Committee (ARAC). To ensure the ARM is effective, it will carry out an annual self-assessment to test its scope and purpose and to identify and address any areas for improvement.

The following assessment should be completed on a collective and individual basis by ARM members and be collated collectively for consideration by the ARM as a whole. The findings should be signed off by the ARM together with an action plan, where relevant. The action plan should be reviewed by the ARM throughout the year to ensure progress is made where action has been identified. The final assessment will be tabled to the ARAC for information.

Collective Response

KEY AREA		
1. Role of the ARM	**Outcome**	**Comments**
1.1 Are Terms of Reference in place?		
1.2 Are the Terms of Reference reviewed by ARM on an annual basis?		
1.3 Are the Terms of Reference endorsed by the ARAC?		
1.4 Do the Terms of Reference include a quorum?		

KEY AREA		
2. Membership, Objectivity and Understanding	**Outcome**	**Comments**
2.1 Is the Chair of the ARM a member of SMT?		
2.2 Are the minutes of the ARM shared with SMT?		
2.3 Are the minutes of the ARM shared with the ARAC?		
2.4 Do the members attended regularly?		

KEY AREA		
3. Skills	**Outcome**	**Comments**
3.1 Do the members of the ARM constructively challenge one another in reviewing and assessing risks?		
3.2 Do the members update their relevant sections of the risk registers/ framework?		
3.3 Do the members raise/amend risks in an appropriate manner?		
3.4 Do the members ensure their teams are informed of the importance of risk management and how it operates?		
3.5 Have the ARM members been suitably trained on risk management?		
3.6 Does the ARM spend time (workshop based) to review key areas/new registers etc?		

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KEY AREA		
4. Scope of Work	**Outcome**	**Comments**
4.1 Does the ARM consider relevant audit reports or other papers relevant to its work?		
4.2 Does the work of the ARM include information governance?		
4.3 Does the ARM consider to what extent risk management is embedded in the organisation?		
4.4 Does the ARM elevate immediate risks in the appropriate way?		
4.5 Does the ARM take relevant cognisance of wider developments in relation to regulation, legislation, financial projections and policy directions?		

KEY AREA		
5. Communication	**Outcome**	**Comments**
5.1 Does the ARM take into account/review the minutes of the ARAC?		
5.2 Does the ARM adequately communicate the overall management of risks and their implication?		
5.3 Does the ARM review its own effectiveness on an annual basis?		

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KEY AREA		
6. Role of Chair	**Outcome**	**Comments**
6.1 Does the ARM have a secretary/administrator in support?		
6.2 Are agenda inputs sought from ARM members in advance?		
6.3 Are meetings planned one year in advance to coincide with ARAC meetings?		
6.4 Are papers issued within 3 days of the meeting?		
6.5 Are all members actively encouraged to contribute?		
6.6 Are accurate minutes produced with action points?		
6.7 Are action points reviewed and update?		
6.8 Is adequate time set aside for meetings?		
6.9 Do members follow up on time on their relevant actions?		
6.10 Are any shortcomings in follow up actions addressed by the Chair?		

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KEY AREA		
7. Papers	**Outcome**	**Comments**
7.1 Is a Strategic Risk Register developed by end of May each year?		
7.2 Is a Departmental Risk Registered developed by end of May each year?		
7.3 Is the Risk Management Guidance reviewed annually?		

Individual Response

KEY AREA		
	Outcome	**Comments**
1.1 Have you reviewed on a regular basis risks relevant to your areas of responsibility?		
1.2 Have you taken appropriate action as required, to mitigate risks?		
1.3 Have you ensured that any new risks are raised in the quarterly update to the Strategic and relevant Departmental Risk Registers?		
1.4 How often have you attended ARM over the financial year?		
1.5 Do you discuss with your line managers the Strategic and relevant Departmental Risk Registers?		
1.6 Do you involve your managers in identifying new risks and updates to the Strategic and relevant Departmental Risk Registers?		