Probation Board for Northern Ireland

Risk Management Framework

December 2024

Contents Page

Glossary

"*The Board*"	This refers to the Members of the Board.
"*PBNI*" or *"the Organisation*"	This refers to the Organisation as a body corporate, which is a Non-Departmental Public Body of the Department of Justice.

Introduction

1. Every organisation must take risks in order to achieve its objectives. The effective management of risk is a key element of the corporate governance and assurance framework within the Probation Board for Northern Ireland (PBNI). Risk management enhances strategic planning and prioritisation, assists in achieving objectives and strengthens the ability to respond to challenges faced. In order to meet objectives successfully, improve service delivery and achieve value for money, risk management must be an essential and integral part of planning and decision making.

2. The key elements of the risk management framework are stated in the next section. It is intended that this framework can be applied at all levels of risk management across the organisation to achieve a uniform approach and to provide a useful management tool to assist with good governance arrangements. This guidance reflects the updates contained within **HMT's The Orange Book - Management of Risk - Principles and Concepts.**

3. Within the organisation it is the role of the Accounting Officer to ensure that risks are effectively managed. It is the role of the Audit and Risk Assurance Committee (ARAC) to oversee the development and implementation of the Board's Risk Management Framework and monitor the Board's Strategic Risk Register. The Strategic Risk Register is a live document which is maintained and reviewed on a quarterly basis by the Board's Senior Leadership Team (SLT). Risks are assigned to a risk owner at Director / Head of Business Area level, who is responsible for implementing measures to control the impact and likelihood of the risk occurring. In addition, Directors / Heads of Business Areas are responsible for the escalation of risks within their work area to the Strategic Risk Register for consideration by SLT and ARAC.

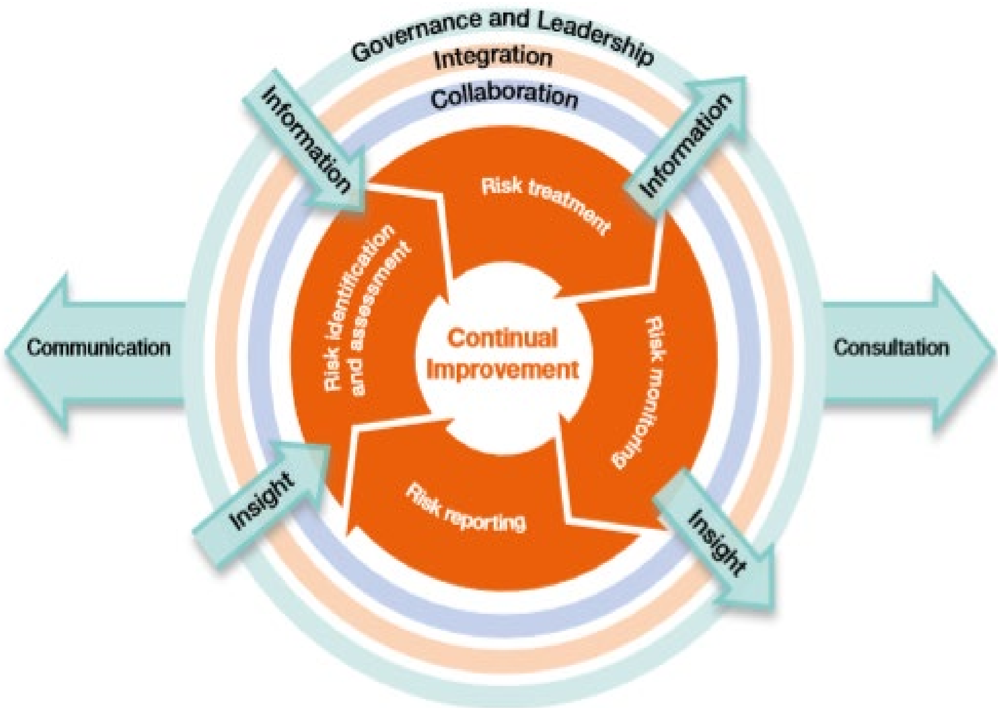
What is Risk?

4. A risk is defined as, *"an uncertain event which if it occurs will impact on the achievement of objectives".* A risk can be either a threat or an opportunity. A threat describes an uncertain event that could have a negative impact on the achievement of objectives whilst an opportunity describes an uncertain event that could have a positive impact on the achievement of objectives.

Risk Management Framework

5. The purpose of risk management is to support better decision-making through having a sound understanding of an organisation's risks and their likely impact. Critical to this is planning for how risks should be managed and how they should be considered in decision making.

6. The risk management framework supports the consistent and robust identification and management of opportunities and risks within desired levels across the organisation supporting openness, challenge, innovation and excellence in the achievement of priorities. The overall objective is to ensure that threats and objectives are managed effectively. For the risk management framework to be considered effective, the following principles shall be applied:



- **Governance and Leadership** - Risk management is an essential part of governance and leadership, and fundamental to how the organisation is directed, managed, and controlled at all levels.

- **Integration** - Risk is an integral part of all organisational activities to support decision-making in achieving objectives.

- **Collaboration and Best Information** - Risk management is collaborative and informed by the best available information.

- **Risk Management Processes** - Risk management processes are structured to include (Further details in Page 7):
    - Risk Identification and Assessment
    - Risk Treatment
    - Risk Monitoring
    - Risk Reporting

- **Continual Improvement** - Risk management is continually improved through learning and experience.

Risk Management Process

Across PBNI, risk management processes will be structures to include the following:

- **Risk Identification and Assessment -** to determine and prioritise how the risks should be managed;

- **Risk Treatment -** the selection, design and implementation of risk treatment options that support achievement of intended outcomes and manage risks to an acceptable level;

- **Risk Monitoring** - the design and operation of integrated, insightful and informative risk monitoring; and

- **Risk Reporting** - timely, accurate and useful risk reporting to enhance the quality of decision-making and to support management and oversight bodies in meeting their responsibilities.

PBNI Board Risk Appetite Statement

7. The purpose of the risk appetite statement is to articulate the amount of risk the PBNI Board is prepared to accept, tolerate or be exposed to in pursuit of its strategic priorities or from other inherent issues which although not directly linked to the strategic objectives have an impact on the risk profile of the organisation. The PBNI Board's risk appetite, shown below, is considered periodically by SLT and ARAC. The classifications of risk appetite used are as set out in HM Treasury guidance Orange Book - Risk Appetite Guidance Note.

Classification	Description
Averse	Avoidance of risk and uncertainty and selection of safe options that have a low degree of inherent risk and may only have limited potential for reward.
Open	Willing to consider [within the parameters of legal restraints] all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward.
Hungry	Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk.

8. In general, PBNI strives to have "open" risk appetite however individual risks will each have their own risk appetite. Where a "hungry" risk appetite is agreed for a particular area of work, the residual risk will be robustly managed.

PBNI Risk Management Procedures

9. The following core principles of risk management should be the minimum standard applied across the organisation:

    - Risk registers should be prepared, maintained, reviewed and updated as necessary by business areas at least every quarter. Risk registers should document the nature and extent of risks and record actions already taken and planned to control the risk or mitigate it completely. The register should be a live and active document that is consistently used as a tool by management to ensure that risks are being carefully considered. The template at **Annex A** is a standard format that has been approved by SLT and ARAC and will be used across the organisation. Instructions on how to complete the template are shown in the attached **Annex B**.

    - Review of the PBNI Strategic Risk Register (SRR) is a standing agenda item at quarterly SLT meetings. For the purposes of reviewing the SRR, a short reporting pack has been prepared for use by PBNI's SLT and ARAC. This is shown at **Annex C**. Directors and Heads of Business Areas will also adopt this reporting pack for use when reviewing Departmental Risk Registers. This summary reporting pack accompanies the detailed risk register, referred to above, and these two documents together are the sources of information used by ARAC during its review of strategic risks.

    At each quarterly review SLT should consider the following questions:

    - Are the risks identified still the most significant and do they rightly belong on the risk register?
    - Are control measures that are in place working effectively?
    - Has proper consideration been given to further actions required to reduce either the likelihood or impact of the risk stated, and are target dates reasonable and being met?
    - Have any new risks arisen in the previous quarter? If so, they must be captured and actively managed and
    - Have any risks been consistently 'Low' and if so, have they been reviewed to consider whether they are still relevant for inclusion in the risk register?

- Examples of risks that should be included within the SRR include:
    - Risk of failure to achieving significant outcomes in a timely fashion;
    - Risk of significant financial loss or lack of control;
    - Risk of fraud or illegality; or
    - Significant reputational damage to PBNI.
- Other (lower and less impactful) risks should be included in Departmental Risk Registers and escalated to the SRR only when one or more of the above criteria have been met. To enable a decision to be made on what should be included at each level of risk register, two questions that should be posed are "what is the impact of the risk being realised?" and "what will this mean for PBNI"?
- PBNI adopts a 4x4 risk matrix as shown below to calculate the risk score. The calculation is automated in the risk template. The results will give an overall RAG (red, yellow, amber, green) rating for the risk, which can be compared to other risks on the register.

4- Extreme	**4**	**8**	**12**	**16**
3- High	**3**	**6**	**9**	**12**
2- Moderate	**2**	**4**	**6**	**8**
1- Low	**1**	**2**	**3**	**4**
Impact / Likelihood	**1- Low**	**2- Moderate**	**3- High**	**4- Extreme**

- Guidance to help score the impact and likelihood of an identified risk for the completion of the risk matrix is shown below.

IMPACT		LIKELIHOOD	
DESCRIPTOR	**FACTORS TO CONSIDER TO AID ASSESSMENT**	**DESCRIPTOR**	**FACTORS TO CONSIDER TO AID ASSESSMENT**
Low	Little or no impact on achievement of key objective(s); or minor non-compliance issues; or minor delay in timing.	**Low**	May occur only in exceptional circumstances.
Moderate	Some impact on achievement of key objectives; or £10,000s lost; localised media attention; or NIAO criticism.	**Moderate**	Has not happened yet but could do so in next 12 months.
High	High impact on achievement of key objectives; or £100,000s lost; or regional/national media attention; or NIAO criticism.	**High**	Has not happened yet but it is probable that it will occur in the next 12 months.
Extreme	Failure to deliver key objective(s); or £500,000s lost; or regional/national media attention; or critical attention from Assembly/PAC; or death.	**Extreme**	Event is expected to occur/ recur in the next 6 months.

10. In accordance with best practice, ARAC will play an active role in overseeing the application of good risk management processes within the organisation. The respective roles and responsibilities within the risk management framework are set out below; this list is not intended to be exhaustive, but it gives a summary of some essential key roles.

Roles and Responsibilities

The Board:

11. While the Board owns the SRR it has established an Audit and Risk Assurance Committee (ARAC) to support it in its responsibilities for issues of risk, control, governance, and assurance. It is the role of the Accounting Officer to ensure that risks are effectively managed. The Board's ARAC oversees the implementation and application of risk management procedures through PBNI. The SRR is reviewed on a regular basis by SLT and ARAC on the Board's behalf. It sets out the key strategic risks facing the organisation and addresses how these are being actively managed in order that impact on PBNI's outcomes can be minimised. Risks within the SRR will be prioritised and ranked, wherever possible.

Directors / Heads of Business Areas:

12. Departmental Risk Registers should be reviewed by Directors / Heads of Business Areas on a quarterly basis and any risks which require escalation to the SRR will be discussed by SLT prior to being escalated to the SRR. Each Director / Head of Business Area is responsible for ensuring that risk registers are completed at the appropriate level within their area, for example at team level if required, and for relevant programmes and projects. All teams should be informed of the risks within their business area.

Employees:

13. All employees are expected to work within PBNI's Risk Management Framework and to alert management to emerging risks or control weaknesses and to assume responsibility for risks and controls within own areas of work.

Audit and Risk Assurance Committee:

14. ARAC provides assurance to the Board and Accounting Officer that systems are in place for the effective monitoring of risk management, internal control (including financial control) and governance across the organisation. Additionally, the Committee will give advice to the Accounting Officer on the adequacy of coverage of audit arrangements (internal and external) to provide the required assurance.

15. ARAC will advise the Accounting Officer on the risk and governance framework including the adequacy of the internal control environment, through the annual Corporate Governance Statement. To discharge these responsibilities, ARAC will:
    - request internal audit to carry out a review of risk management processes at least once every three years and to consider the findings of that review to ensure that processes are operating effectively;
    - critically challenge and review the adequacy and effectiveness of control processes in responding to risks to provide assurance to the Accounting Officer; and
    - provide assurance to the Accounting Officer on an annual basis, as part of the Corporate Governance Report, that risk management processes are operating effectively across PBNI.

Risk Owners

16. Risk owners are responsible for the evaluation, management and control of the specific risk stated. They have responsibility for ensuring that key controls are in place to manage the risk where possible and that additional actions are identified to treat or control the risk. Risk management must be an active process; therefore, although the formal evaluation and reporting on risks may be quarterly; risk owners should constantly review the risk status and decide if further work needs to be done to mitigate the risk.

17. Risk owners should consult other parties as required in order to assess the status of the risk and identify active methods to manage the risk.

Internal Audit

18. Internal audit provides independent assurance to ARAC on the effectiveness of the risk management internal control framework (and within that the risk management framework). Internal Audit uses a risk-based approach in developing its Audit Strategy and Annual Audit Plans and will refer to the Strategic and Departmental Risk Registers when identifying areas for review. In addition to individual audit reports the Head of Internal Audit provides an independent opinion on the overall adequacy and effectiveness of governance, risk management and internal control within the organisation. This is used to inform the Accounting Officer's Governance Statement within the Annual Report and Accounts.

Further Risk Considerations

Escalation / Cross-Departmental Risk

19. As referred to above under the role of risk owners, it is important that risk owners consult other parties as required. This is to ensure that there is a holistic approach to managing risks at the correct level throughout the organisation.

Partnership Risk

20. There is specific guidance issued by HM Treasury entitled **Managing risks with delivery partners**. As PBNI moves more and more into collaborative working relationships with partners in areas such as shared services this aspect of risk management will become more important. This guidance defines partners as "*Any organisation with which a department works to deliver their objectives, with a formal agreement of role (contract, funding agreement, Service Level agreement etc.). There may be a long-term relationship*"

21. When considering partnership risk, PBNI will discuss the risk management procedures that will apply in the particular relationship and if appropriate prepare a joint risk register to monitor the risks within the partnership arrangement.

Programme and Project Risk management

22. The structure and size of PBNI will require a team to have responsibility for a Project, and the risk management of the project will be incorporated into the risks associated with that particular team and escalated via the Departmental Risk Register as necessary.

Responsible Team

23. The Board Secretariat is responsible for the maintenance of the PBNI's Risk Management Framework and Strategic Risk Register. Should you require advice and assistance regarding the contents of this guidance note and its annexes then please contact board.secretariat@probation-ni.gov.uk.

Timeframe for Review of Framework

24. This Framework is reviewed every 3 years by ARAC and the Accounting Officer.

Annex A : Standardised Risk Register Template for use across PBNI business areas:

PBNI - Strategic Risk Register - [Insert Period]

	Likelihood			
Impact	Low	Moderate	High	Extreme
Extreme	4	8	12	16
High	3	6	9	12
Moderate	2	4	6	8
Low	1	2	3	4

Risk Classification	
Extreme	12 to 16
Medium	6 to 11
Low	3 to 5
V Low	1 to 2

Risk Appetite	What This Means
AVERSE	Avoidance of risk and uncertainty and selection of safe options that have a low degree of inherent risk and may only have limited potential for reward.
OPEN	Willing to consider [within the parameters of legal restraints] all options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward.
HUNGRY	Eager to be innovative and to choose options based on potentially higher rewards (despite greater inherent risk).

	NATURE OF CHALLENGE									CURRENT STATUS			
						INHERENT SCORES				RESIDUAL SCORES			
	RISK Area	CAUSE	IMPACT	Risk Appetite	Lead Owner	Likelihood	Impact	Total	KEY CONTROLS IN PLACE	Likelihood	Impact	Total	ACTION PLANNED with target dates
1													
2													
3													
4													
5													

Annex B : Step by Step Guide for Completing the Risk Register

Column	Column description	Action required
B	**Risk area**	State the general area the risk relates to.
C	**Cause**	Define the cause of the risk and why it is of sufficient significance to need attention.
D	**Impact**	Summarise the anticipated impact or consequence if the risk materialises.
E	**Risk Appetite**	The Board's appetite for the risk, either Averse, Open or Hungry.
F	**Lead owner**	Identify the lead owner. Lead owners are senior managers who are responsible for the specific risk area. They are responsible for ensuring that as far as possible the risk area is treated and controlled. Active risk management is an essential part of the risk management framework. The lead owner will therefore constantly review the risk rating and monitor progress on the planned actions to treat or manage the risk. There should always be one lead owner for each identified risk.
G-I	**Inherent Scores**	Score the "Inherent risk" using the ratings in the table. Inherent risk is commonly defined as "the risk without considering internal controls" or alternatively "a raw risk that has no mitigation factors or treatments applied to it".
J	**Key controls in place**	Record the controls that management have already put in place to manage the risk, in doing so consider and include: **Preventative controls** – To limit the possibility of an undesirable outcome being realised. These are planned actions to deter an undesirable event and mitigate gaps in control / to further reduce the impact or likelihood of the risk should it occur (what you should do now to reduce likelihood or impact). **Directive controls** – To ensure that a particular outcome is achieved. Designed to encourage the right thing, planned actions / contingency plan to minimise damage when the risk occurs (what you would do during an event).

		Corrective or Recovery controls – To correct undesirable outcomes that have been realised. These provide the route to recourse to achieve some recovery against slippage, loss or damage. They may be planned actions to recover and move on from the risk once it has occurred (what you would do after an event). **Detective controls** - To identify occasions of undesirable outcomes having been realised. Their effect is by definition "after the event" so they are only appropriate when it is possible to accept the loss or damage incurred.
K-M	**Residual Scores**	Score the "Residual risk", this is the level of risk considered to be remaining after controls have been applied.
N	**Action planned and target date**	Record, after full consideration, what SLT agrees when it conducts its review. In determining the actions required, the Board [Director/ Head of Business Area] should actively review the risk and ask questions such as: • How confident are you in managing the risk? Are your existing controls effective? • How will you know if the risk is becoming an issue or has reached a point that requires action? • What triggers/indicators are in place to help you identify whether this risk is becoming more likely? What early warning indicators are you going to track? What is the result of these indicators/what are they telling you? • What is your progress on completing action plans for risks? Are you on track to complete them? • Which risks have moved since last reporting period? Why? What are you doing about them? • Are there any new or emerging risks? • Have there been any significant incidents or near misses which may exacerbate your risk profile? • Do you have any risks requiring immediate treatment / escalation?

In terms of the immediacy and scale of the response and the actions planned, the following table is a useful guide in terms of recommended responses for Residual Risk rating levels:

Residual Score	Response
12-16: Extreme (Red)	• Take immediate action to reduce the impact/likelihood. • Review each month at SLT meeting. • Consider if escalation to a higher tier RR is required (ie. to ARAC).
6-9: High (Orange)	• Take immediate action to reduce the impact/likelihood. • Review each month at SLT meeting. • Consider if escalation to a higher tier RR is required (ie. to ARAC).
3-4: Moderate (Yellow)	• Take active measures to reduce risk within the business area. • Review risk quarterly and monitor progress against planned actions to reduce risk. • If risk is rising, consider further and more aggressive actions required to reduce impact or likelihood.
1-2: Low (Green)	• Monitor and review progress against planned actions over a period of 6 months. • Consider if risk can be fully treated and expunged.

Annex C – Example Quarterly Board Reporting Pack

Strategic Risk Register

PBNI Board

Quarterly Reporting Pack

Summary of Strategic Risks and Tracker

RISK AREA	RISK Summary	Current Inherent Score	Current Residual Score	Residual Score Tracking		
				Sep 24	Jun 24	Feb 24
1. *State the general area the risk relates to.* eg. **People**	**Cause:** *Define the cause of the risk and why it is of sufficient significance to need attention.* **Impact**: *Summarise the anticipated impact or consequence if the risk materialises.*	12	12	12	12	8
2.	**Cause:** **Impact:**	12	12	12	8	8
3.	**Cause:** **Impact:**	12	12	12	12	12
4.	**Cause:** **Impact:**	12	8	12	8	8
5.	**Cause:** **Impact:**	12	8	8	8	8
6.	**Cause:** **Impact:**	8	4	4	4	4
7.	**Cause:** **Impact:**	12	9	9	9	9
8.	**Cause:** **Impact:**	9	6	9	9	9

1. RISK/IMPACT EVALUATION – IMPACT

(Note: The financial materiality of these factors will change depending on the size of the organisation. This scale applies at departmental level)

DESCRIPTOR	FACTORS TO CONSIDER TO AID ASSESSMENT
Low	Little or no impact on achievement of key objective(s); or minor non-compliance issues; or minor delay in timing.
Moderate	Some impact on achievement of key objectives; or £10,000s lost; localised media attention; or NIAO criticism.
High	High impact on achievement of key objectives; or £100,000s lost; or regional/national media attention; or NIAO criticism.
Extreme	Failure to deliver key objective(s); or £500,000s lost; or regional/national media attention; or critical attention from Assembly/PAC; or death.

2. RISK/IMPACT EVALUATION – LIKELIHOOD

DESCRIPTOR	FACTORS TO CONSIDER TO AID ASSESSMENT
Low	May occur only in exceptional circumstances.
Moderate	Has not happened yet but could do so in next 12 months.
High	Has not happened yet but it is probable that it will occur in the next 12 months.
Extreme	Event is expected to occur/ recur in the next 6 months.

3. OVERALL ASSESSMENT: PLOTTING OF CORPORATE RISKS

4- Extreme	4	8	12	16
3- High	3	6	9	12
2- Moderate	2	4	6	8
1- Low	1	2	3	4
Impact / Likelihood	1- Low	2- Moderate	3- High	4- Extreme

Annex D – Useful Resources

HM Treasury - The Orange Book of Risk Management

Good Practice in Risk Management - NIAO

Governance and Risk Guidance - Department of Finance NI

Innovation and Risk Management - A Good Practice Guide for the public sector - NIAO