HM TREASURY

Risk Management assessment framework:

a tool for departments

July 2009

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Contents

Introduction

The Risk Management Assessment Framework (RMAF) is a tool for assessing the standard of risk management in an organisation. It is offered as an optional tool to help collect and assess evidence. It will support the production of a Statement on Internal Control, and is consistent with the criteria set out in Government Accounting (Chapter 21).

The Framework has its genesis in the EFQM excellence model but is simplified and targeted to provide a flexible tool to assist in evaluating performance and progress in developing and maintaining effective risk management capability and assessing the impact on delivering effective risk handling and required/planned outcomes. It should also assist with identifying areas of particularly good or poor performance and in establishing priorities for improvement action.

It is intended that it can be used flexibly to replace or augment existing evaluation arrangements as appropriate. The top-level framework and the seven key questions can be used with or without the supporting question sets and/or the quantified 'levels' scale. The Framework can also be used centrally or devolved for self-assessment by business units or used cooperatively with partner organisations. Where business units deliver a discrete activity or where agencies, NDPBs etc responsible for their own SIC are involved then self-assessment using the Framework should be useful to all parties in evaluating risk management performance and areas for improvement.

The question sets under each of the seven main questions are intended as indicative of the range of issues and extent of evidence needed to come to a decision in respect of the key questions. All the questions may not be relevant to all Departments and existing arrangements in a Department (or agency, NDPB etc) may cover some or all the question areas.

The tool should enable any 'gaps' in existing evaluation arrangements to be identified and provide a means to identify actions to rectify them. It will also assist in indicating the evidence that will need to be provided by any alternative evaluation tool in order to effectively judge performance and progress.

The performance levels scale provides a means of quantifying performance and should assist in benchmarking performance, both in terms of type of activity (leadership, strategy, people etc) and business units, divisions, projects etc within an organisation. This should help with planning and priority setting for future work plans and in identifying and setting targets for improvement and in monitoring progress towards those targets. It should also provide a basis for peer review and/or benchmarking between organisations (bilaterally or multilaterally).

Risk Support Team

29 October 2004

Summary

1. Assessment Framework

The top-level framework is adapted from the EFQM Excellence Model but is simplified and targeted to provide a flexible tool to assist in monitoring and evaluating performance in a systematic and structured way. It can be used to identify areas of particularly good or poor practice and in establishing priorities for improvement action.

At the most summarised level there are **seven questions** to address:

Capabilities

1 **Leadership:** do senior management and Ministers support and promote risk management?

2 Are **people** equipped and supported to manage risk well?

3 Is there a clear risk **strategy** and risk **policies**?

4 Are there effective arrangements for managing risks with **partners**

5 Do the organisation's **processes** incorporate effective risk management?

Risk Handling

6 Are risks handled well?

Outcomes

7 Does risk management contribute to **achieving outcomes**?

These seven 'key' questions at the top-level are each underpinned by a lower level, non-exhaustive, set of questions which are intended as indicative of the range of issues and extent of evidence needed to come to a decision in respect of the key questions and hence to help guide evidence gathering.

2. Assessment Scale

The levels scale provides a means of quantifying performance and should assist in monitoring existing performance, in identifying and setting targets for improvement and in judging progress towards those targets. It should also be useful in establishing a basis for planning and priority setting for future work plans and for peer review and/or benchmarking, both within and between organisations (bilaterally or multilaterally).

The assessment scales have five levels to gauge progress in developing the necessary risk management **capabilities** and to assess the effectiveness of **Risk Handling** and impact on delivering successful **Outcomes**. In summary these levels are:

Capability (Leadership; Policy & Strategy; People; Partnerships & Resources; and Processes):

1 Awareness and understanding

2 Implementation planned & in progress

3 Implemented in all key areas

4 Embedded and improving

5 Excellent capability established

Risk Handling and Outcome performance:

1 No evidence

2 Satisfactory

3 Good

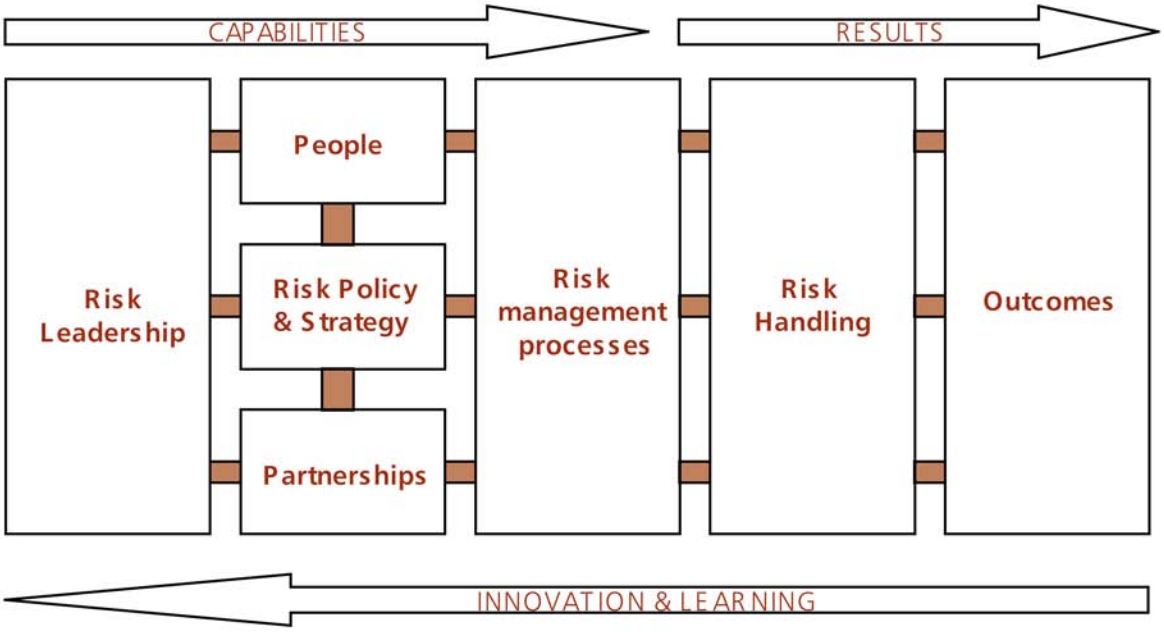
4 Very good

5 Excellent

3. Using the Assessment Tool

This can be used either to give a broad/impressionistic overview, using just the summary framework. Alternatively, by using the top-level questions informed by systematically collected evidence (such as that indicated by the supporting indicative questions) it can give a more detailed assessment. This would be suitable for monitoring and reviewing the effectiveness of internal control processes and supporting a Statement on Internal Control (SIC). In this latter respect it is consistent with the criteria set out in Government Accounting (Chapter 21). It can also be used in reviewing and reporting on performance and progress in improving risk management capability and assessing impact on improved risk handling and performance outcomes. Used in this latter way it can also assist with identifying areas of particularly good or poor performance and in establishing priorities for improvement action. The framework can also be used as a tool to assist peer-review and benchmarking, both internally and between organisations (bilaterally or multilaterally).

Risk Management assessment tool



Adapted from the EFQM Excellence model

1 Leadership

Do senior managers and Ministers promote risk management?

Summary of progress

Level 1: Awareness & understanding	Level 2: Implementation planned & in progress	Level 3: Implementation in all key areas	Level 4: Embedding and improving	Level 5: Excellent capability established
Top management are aware of need to manage uncertainty & risk and have made resources available to improve	Senior Managers & Ministers take the lead to ensure that approaches for addressing risk are being developed and implemented	Senior Managers act as role models to apply risk management consistently and thoroughly across the organisation	Senior management are proactive in driving and maintaining the embedding and integration of risk management; in setting criteria and arrangements for risk management and in providing top down commitment to well managed risk taking to support and encourage innovation and the seizing of opportunities.	Senior Managers re-enforce and sustain risk capability, organisational & business resilience and commitment to excellence. Leaders regarded as exemplars.

Evidence

Are senior management and Ministers:

1.1 Taking key risk judgements and providing clear direction?

- Are they routinely in a position to be aware of the key risks and have systems in place to ensure that this is up to date?
- Do they have a good understanding of the key risks facing the organisation and their likely implications for service delivery to the public and the achievement of programme outcomes?
- Are the risks that could result in key objectives or service delivery responsibilities not being met identified and the likelihood of them maturing regularly assessed?
- Are key risks prioritised for action and mitigation actions identified and monitored?

1.2 Setting the criteria/arrangements for the department's appetite/tolerance for taking on risk?

- Are they setting the criteria for acceptable and/or unacceptable risk?
- Are they setting the criteria for reference for Board consideration?
- Are they establishing the criteria/arrangements for escalation of consideration of risks at various levels in the department etc)?

(See also section 5.5.3)

1.3 Supporting innovation?

- Is well-managed risk taking encouraged to help seize opportunities and support effective innovation?
- Is there support and reward for innovation and seizing opportunities to better deliver the organisations aims and objectives?
- Is individual success rewarded and support given by management when things go wrong despite risks being well managed, ie avoiding a blame culture?

1.4 Ensuring clear accountability for managing risk?

- Are appropriate staff members clearly assigned responsibilities for assessing, reporting and managing identified risk and are these responsibilities regularly reviewed?
- Do those responsible have the necessary authority and support to discharge their responsibilities effectively?
- Do managers understand and take responsibility for the management of risk in their area?
- Are matters actively reported through the management arrangements and to the audit/risk committee or Board as appropriate?

1.5 Driving implementation of improvements in risk management?

- Are they proactive in supporting and encouraging effective risk management?
- Are they proactive in supporting and driving a culture embracing well-managed risk taking?
- Are they proactive in supporting and driving the embedding of effective risk management in the departments core activities (ie policy making, planning and delivery)?
- Are they ensuring effective management of risks to the public?
- Are they ensuring effective communication about risks and risk issues?
- Are they ensuring that managers and staff are equipped with necessary skills, guidance and other tools?

Further guidance on risk management is available from our website, which can be found at: http://www.hm-treasury.gov.uk/psr_governancerisk_index.htm

2 Risk strategy and policies

Is there a clear risk strategy and risk policies?

Summary of progress

Level 1: Awareness & understanding	Level 2: Implementation planned & in progress	Level 3: Implementation in all key areas	Level 4: Embedding and improving	Level 5: Excellent capability established
The need for a risk strategy and related policies has been identified and accepted	A risk management strategy & policies have been drawn up and communicated and are being acted upon	Risk strategy & policies are communicated effectively and made to work through a framework of processes	An effective risk strategy and policies are an inherent feature of department policies and processes	Risk management aspects of strategy and policymaking help to drive the risk agenda and are reviewed and improved. Role model status

Evidence

Is there a clear:

2.1 Risk Management Strategy?

(The Risk Management Strategy may be a contained in a separate document but this is not essential and as embedding progresses more of the information would be expected to be part of the organisations general policies and processes)

- Is there a risk management strategy which:
  - Is endorsed by the Head of the organisation/ Board / Audit Committee / Risk Committee?
  - Sets out the organisation's attitudes to risk?
  - Defines the structures for the management and ownership of risk and for the management of situations in which control failure leads to material realisation of risks?
  - Specifies the way in which risk issues are to be considered at each level of business planning and delivery ranging from the corporate process to operational action and the setting of individual staff's objectives?
  - Includes risk as an opportunity (if it can be managed effectively) as well as a threat?
  - Allows for peer review and the benchmarking of risks where appropriate?

- Specifies how new activities will be assessed for risk and incorporated into risk management structures?
- Ensures common understanding of terminology used in relation to risk issues?
- Defines the structures for monitoring, review and gaining assurance about the management of risk?
- Defines the criteria that will inform assessment of risk and the definition of specific risks as "key"?
- Defines the way in which the risk register(s) and risk evaluation criteria will be regularly reviewed?

- Is it easily available to all staff and reviewed at least annually to ensure it remains appropriate and current?
- Does if allow for balancing the portfolio of risk?
- Does it support effective innovation and encourage well-managed risk taking to generate improved delivery of aims and objectives?
- Does it encourage and promote the integration of risk management into established procedures and arrangements for departmental business, ie policy making, planning (eg business plans, delivery plans, spending plans etc), delivery etc and does this include effective management of risks to the public (information on 'Principles of Managing Risks to the Public' can be found at: http://www.hm-treasury.gov.uk/managing_risks_public.htm
- Does it include effective communication about risk with staff and all stakeholders, inside and outside the organisation and including management of risks to the public? (A tool-kit on risk communications providing more detailed guidance can be found on: http://www.ukresilience.info/risk/index.htm)

2.2 Risk Management Policy?

(The Risk Management Policy may be a contained in a separate document but this is not essential and as embedding progresses more of the information would be expected to be part of the organisations general policies and processes)

- Does a formal risk policy (policies) exist and is this documented, endorsed by the head of the organisation, clearly communicated, readily available to all staff and subject to regular review?
- Were views from in-house stakeholders (eg employees, internal experts, auditors etc) taken into account?
- Is the risk management policy (policies) integrated with established policies for departmental business activities (ie policy, planning, delivery etc)
- Are there clear statements that set out a proactive approach to innovation, and are staff encouraged to read them?
- Is there an explicit policy to encourage well-managed risk taking where it has good potential to realise sustainable improvements in service delivery and value for money, and is this policy actively communicated to all staff?
- Is a common definition of risks and how they should be managed, clearly communicated and adopted by all staff throughout the organisation with detailed guidance for staff drawing up or implementing programmes, policies, plans etc?

- Is there a policy on balancing the portfolio of risk within the overall risk appetite/tolerance and does this include seizing opportunities as well as dealing with threats?

3 People

Are people equipped and supported to manage risk well?

Summary of progress

Level 1: Awareness & understanding	Level 2: Implementation planned & in progress	Level 3: Implementation in all key areas	Level 4: Embedding and improving	Level 5: Excellent capability established
Key people are aware of the need to assess and manage risks and they understand risk concepts and principles	Suitable guidance is available and a training programme has been implemented to develop risk capability	A core group of people have the skills & knowledge to manage risk effectively	People are encouraged and supported to be innovative and are generally empowered to take well-managed risks. Most people have relevant skills & knowledge to manage risks effectively and Regular training etc is available for people to enhance their risk skills and fill any 'gaps'	All staff are empowered to be responsible for risk management and see it as an inherent part of the Departments business. They have a good record of innovation and well managed risk taking

Evidence

Are people equipped and supported by:

3.1 The Culture of the organisation?

- Is there a general culture of risk management at all levels?
- Do managers and staff feel able to raise risk related issues?
- Do staff have clear reporting chains and mechanisms to raise risk issues?
- Do managers and staff feel able to raise risk issues even where this may be seen as 'bad news'?
- Are they encouraged and empowered to identify and take opportunities that will better deliver aims and objectives?
- Are they confident that their concerns/ideas will be heard and acted on?

- Do staff feel empowered to take well-managed risks?
- Are staff rewarded for taking well-managed risks?
- Are staff confident that they will not be blamed for failure when risks have been well managed?
- Are staff encouraged to challenge practices, to identify new ways of doing things and to be innovative?
- Do the monitoring and reporting systems generate an expectation that action will be taken on issues raised?
- Is risk management encouraged as part of the established way of planning and delivering the departments business?
- Is risk management performance embedded in recruitment and performance appraisal?
- Is risk management incorporated into quality measures, eg Investors in people?

3.2 Arrangements for allocation of Responsibility?

- Do staff have properly delegated clear and appropriate responsibility for managing risks and seizing opportunities?
- Is this reflected in their personal objectives and annual assessment?
- Are they clear when matters should be referred elsewhere (eg line management, audit committee, risk committee, board etc) for consideration?

3.3 Arrangements to ensure staff Awareness?

- Are staff aware of the importance of handling risks well, of being innovative and identifying and seizing opportunities to improve outcome performance?
- Are staff aware of the risk management strategy and policy(ies)?
- Are they aware of the key objectives, priorities and main risks facing the organisation as a whole?
- Are staff aware of the key objectives, priorities and main risks facing their part of the organisation?

3.4 Provisions to ensure appropriate risk management knowledge, experience and skills?

- Are staff adequately trained and experienced in risk management relative to the needs of the organisation and the particular job being done?
- Do staff receive appropriate guidance and training on the typical risks that the organisation faces in relation to their role/job, and the action to take in managing these risks?
- Do staff use guidance effectively?
- Do they have good access to advice and expertise?
- Does the personal performance review include assessment of relevant risk management skills and establish development objectives to fill any gaps?

- Are arrangements in place to ensure new staff receive early assessment of their development needs and appropriate guidance, training etc to rapidly address these needs.
- Does skills transfer place take place when consultants or risk management professionals work within local teams?

4 Partnerships

Are there effective arrangements for managing risk with partners?

Summary of progress

Level 1: Awareness & understanding	Level 2: Implementation planned & in progress	Level 3: Implementation in all key areas	Level 4: Embedding and improving	Level 5: Excellent capability established
Key people are aware of areas of potential risk with partnerships and understand the need to agree approaches to manage these risks	Approaches for addressing risk with partners are being developed and implemented	Risk with partners is managed consistently for key areas and across organisational boundaries	Sound risk management arrangements have been established. The most suitable: partnership arrangement (PFI, 'arms length' etc); partners; suppliers etc are selected in full knowledge of the risks, risk management capability & compatibility	Excellent arrangements in place to identify and manage risks with all partners and to monitor and improve performance. Organisation regarded as a role model

Evidence

Are there appropriate mechanisms for:

4.1 Identifying, assessing and managing risk in Partnerships:

- Are the risks associated with working with other organisations assessed and managed?
  - Are there arrangements to ensure a common understanding of the risks and how they can be managed (eg a joint/shared risk register, sharing of risk register information, agreed risk assessments etc)?
  - Are there arrangements for agreed standards for assessing risks?
  - Has the risk terminology/language been agreed?
  - Is there clarity about who is carrying which risks and what the requirements are for providing information?
  - Are those responsible for managing the risks empowered to do so?

- Are arrangements scaled to match the risks, size/importance of the project etc?
- Are all those organisations, which are likely to have some influence over the success of a programme or service to the public identified (e.g. through landscape reviews)?
- Are there arrangements to ensure, where possible, selection of the most appropriate partnership approach (eg 'arms length', partnering, PFI etc)?
- Is consideration being given to the need for a consistent and common approach to managing risks that cut across organisation boundaries, for example cross-departmental projects?
- Do organisations understand and have confidence in the risk management arrangements of all those involved in the joint working or who could influence the success of the programme?
- Are there incentives for partners to manage risks effectively (ie is the risk reward balance right for each partner)?
- Is there clear responsibility and accountability for risks where delivery of results is through partners, eg some risks (eg reputational) may remain even though responsibility for delivery is with a partner?

4.2 Monitoring and reviewing performance?

- Is there reliable and regular information (eg Key issues, risks to be monitored, scale of risks, how they will be managed) to monitor the risk management performance of all those organisations involved?
- Is it clear who will provide what monitoring information and are rights of access sufficient to obtain the necessary information?
- Are there arrangements for joint review of risks and how differences of judgement and/or perception will be resolved?

4.3 Provision and testing of contingency arrangements?

- Are there adequate contingency arrangements (including prioritisation of mitigation action) to minimise the adverse effects on public service delivery of one or more party failing to deliver?
- Have the contingency arrangements been tested?

4.4 Identifying and addressing the implications of risk transfer?

- Has the extent to which risks can be transferred to organisations – both public and private – best placed to manage them been considered and acted upon?
- Are staff encouraged to take responsibility for risks when they are best placed to do so rather than transferring them to other organisations?
- Where risks are transferred to a partner organization are accountabilities clearly established and capacity maintained to manage and monitor performance and take early action in the event of difficulty?

(See also guidance - Managing Risks with Delivery Partners at: http://www.hm-treasury.gov.uk/managing_risk_delivery_partners.htm)

5 Processes

Do the organisation's processes incorporate effective risk management?

Summary of progress

Level 1: Awareness & understanding	Level 2: Implementation planned & in progress	Level 3: Implementation in all key areas	Level 4: Embedding and improving	Level 5: Excellent capability established
Some stand-alone risk processes have been identified	Recommended risk management processes are being developed	Risk management processes implemented in key areas. Risk capability self assessment tools used in some areas	Risk management is an integral part of the organisation's core processes (policy, planning, delivery etc) and data are collected to monitor and improve risk management performance	Management of risk & uncertainty is an integrated part of all business processes. Best practice approaches are used and developed. Selected as a benchmark site by other organisations

Evidence

5.1 Is Risk Management being fully embedded in the organisation's business processes?

- Is risk management embedded in key processes, eg:
  - Policymaking (see also guidance and tool 'Early Management of Risks to Delivery' at: http://www.hm-treasury.gov.uk/early_management_of_risks.htm
  - Project and programme management?
  - Operational management?
  - Performance management?
  - Business planning?
  - Delivery planning?
  - Spending Review?
- Are there well-established approaches for (i) identifying risk and (ii) assessing and reporting risks that are effectively communicated, followed and fully understood by relevant staff?

- Is risk management ongoing and integrated with other procedures so that staff accept it as a standard requirement of good management and not a one-off or annual activity?
- Are arrangements in place to ensure risks to the public are well managed, including:
  - Ensuring openness and transparency;
  - Promoting wide involvement and engagement;
  - Taking steps to promote proportionate and consistent action;
  - Ensure clarity in the validity and use of all relevant evidence;
  - Ensure those best placed to manage the risk are given the responsibility for so doing? (ie implementation of the 'principles of managing risks to the public' – http://www.hm-treasury.gov.uk/managing_risks_public.htm)
- Are arrangements in place to ensure sufficiently early and effective communication on risks and risk issues with staff, internal and external stakeholders, including members of the public etc (eg application of cabinet office guidance to be found at: http://www.ukresilience.info/risk/index.htm)?

5.2 Do the processes support innovation and the identification and seizing of opportunities?

- Are arrangements in place to identify opportunities that might be available if risks are well managed, (eg reduced need for elaborate systems of oversight and control of service delivery and hence greater cost effectiveness and efficiency)?
- When practicable is a monetary or other numerical value put on risk to emphasise to staff the potential loss or missed opportunity which could occur if risks are not well managed?

5.3 Do the procedures ensure risk management arrangements are effective and reflect good practice?

- Are arrangements in place, such as reviews by internal audit, consideration by audit and/or risk committee, involvement of non-executive Director(s), peer review, benchmarking with other organisations etc, to ensure that risk management approaches are effective, efficient and reflect good practice?
- Are the arrangements for monitoring and review subject to review to ensure they remain appropriate, proportionate and cost-effective?
- Has management sought advice from internal and external audit on good practice in the development, implementation and maintenance of robust risk management processes and systems?
- Has professional advice been taken to ensure that the most appropriate tools and techniques are used to assess risk and the likelihood of it maturing?
- Are both internal and external experiences used to inform risk management processes and procedures?

5.4 Do the processes ensure appropriate resilience?

- Does the organisation have a well-developed business/service continuity plan?
- Does the organisation have an IT recovery plan?

- Is the action (ie contingency plans, business continuity plans) planned to deal with consequences of risks maturing (such as the impact on the delivery of services to the public) regularly reviewed (tested as appropriate) to ensure that it remains appropriate, sufficient and cost effective?

5.5 Do the Risk Management Processes contain:

5.5.1 Context for risk management?

- Is the context in which risk is managed identified by considering the issues of:
  - Stakeholders, including:
    - Ministerial interests?
    - Public interests?
    - Service user interests?
    - Wider societal interests (eg environment)?
  - Risk aspects of relationships inside and outside of government (including key suppliers of goods and services), including:
    - Ways in which the behaviour of "partners" affects the organisation?
    - Ways in which the behaviour of the organisation affects the "partners"?
    - The risk priorities of "partners"?

    (See also Section 4. Partners)

5.5.2 Risk identification and evaluation?

- Is there documentation which:
  - Records identified risks and opportunities in a structured way to:
    - record dependencies between risks?
    - record linkages between lower level risks and higher-level risks?
    - identify key risks?
    - facilitate assignment of ownership at a level that has authority to assign resources to the management of the relevant risk?
  - Evaluates risks using defined criteria that are applied consistently?
  - Provides evaluation of inherent risk (before any control implemented) and residual risk (risk remaining after planned controls are implemented)?
  - Evaluates risk-taking account of both:
    - the likelihood of the realisation of the risk, and
    - the impact of the realisation of the risk?
  - Identifies assigned ownership of the risk?
  - Records, in as far as it can be defined:
    - the acceptable level of exposure in relation to each risk?

        - why it is considered that the defined acceptable level of exposure can be justified?

- In assessing risks are the potential implications for key stakeholders – citizens as both taxpayers and consumers of government services and specific client groups such as business – taken account of?
- Is a risk assessment carried out before commencing major projects and reviewed at intervals to determine its continued validity and identify any new and emerging risks?
- Is use made of feedback from the public (eg citizens' forum) to identify the public's perception and attitude to risk(s) and to help with identification of any unforeseen risks?
- Are early warning indicators in place – covering for example, quality of service or seasonal increase in customer demand not being met – to alert senior management of potential problems in service delivery or that the risk of planned outcomes not being met is increasing?
- Is horizon scanning used to spot emerging threats and opportunities?

5.5.3 Criteria for evaluation of risk?

- Do specific criteria for evaluating risk encompass a range of factors, including:
    - Financial / value-for-money issues?
    - Service delivery / quality of service issues?
    - Public concern/public trust /confidence issues?
    - Degree and nature of risks to the public?
    - Reversibility or otherwise of realisation of the risk?
    - The quality or reliability of evidence surrounding the risk?
    - The impact of the risk on the organisation (including its reputation) / stakeholders (including the public) / partners / others?
    - Defensibility of realisation of the risk?
- Are these criteria applied consistently and methodically across the whole range of risks?

5.5.4 Risk control mechanisms?

- Are controls in place in relation to each risk which are:
    - Based on active consideration of the options for controlling that risk to an acceptable level of residual exposure?
    - Promulgated to all those who need to know about the controls?
    - Regularly reviewed to consider whether they continue to be effective?
    - The best value for money response to the risk?
    - Documented by the relevant managers?

- In respect of key risks, including those which lie outside the control of the organisation, are plans developed and documented contingent against the risk being materially realised despite the controls that are in place (ie to address the residual risk after control action)?
- Are there adequate Business Continuity arrangements?
- Are reliable contingency arrangements in place so that if problems arise services to the public will be maintained and the adverse impact on key programme outcomes such as late delivery or reduced quality will be minimised?

5.5.5 Arrangements for appropriate Communications?

(See also cabinet office guidance to be found at: http://www.ukresilience.info/risk/index.htm)

- Are there adequate means of communicating with staff about risk issues?
- Is there adequate communication with external stakeholders?
- Are the principles of communicating on risk to public being implemented fully?
- Are trusted sources used to communicate on risk to the public? (e.g. best use of arms-length bodies?)
- Is there a reliable communications strategy in place so that if risks mature those most affected by the potential adverse consequences fully understand and have confidence in the remedial action that the organisation may need to take?
- Are communication issues considered at a sufficiently early stage to ensure implications can fully inform policy, programme etc development and implementation?
- Are there effective arrangements to meet the requirements of the Freedom of Information (FOI) Act?

5.5.6 Review and assurance mechanisms?

- Are review and assurance mechanisms in place to ensure that each level of management, including the Board, regularly reviews the risks and controls for which it is responsible?
    - Are these reviews monitored by / reported to the next level of management?
    - Is any need to change priorities or controls clearly recorded and either actioned or reported to those with authority to take action?
- Are risk identification, assessment and control lessons that can be learned from both successes and failures identified and promulgated to those who can gain from them?
- Is an appropriate level of independent assurance provided on the whole process of risk identification, evaluation and control?
    - Is the methodology for gaining independent assurance defined with particular reference to the role of internal audit and the audit committee (or assurance, risk committee etc), and to the role of non- executive directors and any other review bodies working within the organisation?
- Has any system of peer review and/or benchmarking been used to provide independent assurance of the approach used and the results

6 Risk handling

Are risks handled well?

Summary of progress

Level 1: No evidence	Level 2: Satisfactory	Level 3: Good	Level 4: Very Good	Level 5: Excellent
No clear evidence that risk management is being effective	Limited evidence that risk management is being effective in at least most relevant areas	Clear evidence that risk management is being effective in all relevant areas	Clear evidence that risks are being handled very effectively in all areas	Very clear evidence of excellent risk handling in all areas and that improvement is being pursued

Evidence

Has risk management action contributed to:

6.1 Effective anticipation and management of strategic risks?

- Reduction in levels of threat?
- Higher risk 'opportunities' being identified and successfully pursued?
- Successful anticipation of shocks or other risk events?
- Reduced adverse impact of unexpected/low likelihood events?
- Crises being avoided/mitigated (eg analysis of near misses, avoiding issues escalating into crises)?
- Successful application of contingency or business continuity plans?
- Contingency and business continuity plans being drawn up and successfully tested?

6.2 Effective decision and policymaking?

- A robust evidence base for decisions?
- Proactive procedures and approaches to maximise identification of opportunities in line with the organisations risk appetite/tolerance?
- Stakeholder involvement and understanding of stakeholder issues and perceptions?
- Allowance for delivery issues in policy development?
- Proactive promotion of Innovation occurring knowing that risks can be managed effectively?

- Allocation of resources (including skills/capabilities) and prioritisation in line with aims and objectives?
- Assessment of resources allows time/resources for staff to learn any new working methods
- High quality risk assessments and risk management proposals in Delivery plans, policy formulation, business plans etc?
- Evaluation of intended and unintended outcomes occurring?
- Few significant and unanticipated weaknesses arising?
- Few policy failures (e.g. few legal challenges) consistent with the risk appetite/tolerance?
- Good identification and management of reputational risks?
- Few issues resulting in reputational damage?
- High level of customer/stakeholder satisfaction?

6.3 Effective handling of cross cutting issues?

- Good coordination, understanding and management of risks with delivery partners?
- Clear and effective coordination of policies and actions between Departments?
- Few surprises from other government Departments' policies & activities?

6.4 Effective review and assurance?

- Regular and effective use of independent assurance of quality and effectiveness of risk management?
    - Internally (eg internal audit, Audit/Assurance/Risk committee, Non-Executive Directors)
    - Externally (eg interdepartmental exchanges, external experts etc)
- Clear accountability for key risk management decisions?
- Identification of indicators of effective risk management that are capable of measurement and monitoring over time?
- and which can demonstrate contribution to

6.5 Effective planning and target setting?

- Objectives and targets that are relevant and stretching but achievable and capable of monitoring and validation (eg are they SMARTer)?
- Clear setting of risk appetite/tolerance?
- Decisions are not taken in ignorance of the risk?
- Clear understanding & consideration of the overall level of risk taken on and the approach being taken to manage it?
- High level of understanding of the capability to manage this level of risk?

- High quality of risk identification and proposals for risk management in business and delivery plans?

6.6 Effective management of risk to the public?

- High level of **openness and transparency** in respect of risks to the public?
- High level of success in **engagement** with the public, media and representational organisations on risk decisions?
- Clear explanation of risks and presentation of robust, validated **evidence** for decisions wherever possible (eg unless there are issues such as confidentiality or security)?
- **Proportionality** in decisions on risk management (ie take account of nature and level of risks, costs, benefits and also aspects such as public/societal concerns)?
- Consistency in decision-making?
- Effective **communication** on risk with the public (greater public understanding of risk)?
- Effective implementation of provisions of the **Freedom of Information** Act?

6.7 Effective risk allocation?

- Allocation of risk to those best able to handle it? (e.g. public, partner organisations, staff within the organisation)?
- Consideration of the potential impact on the total portfolio of risks before a new initiative, project etc is taken on?

6.8 Effective management of risks to delivery?

- Assessment and control of risks inherent and evident in day-to-day actions of staff?
- Learned lessons from elsewhere in department/outside department, notably for new or untried aspects?
- Assessment of cost-effectiveness of potential new services, including improved value for money?
- Flexibility and resilience to the way services are delivered (eg adapt to changes in public expectations; regular appraisals of delivery mechanisms, careful planning and effective continuity arrangements)?

6.9 Encouraging greater efficiency?

- Assessment of departmental procedures and processes against well managed risk taking and the departments risk appetite/tolerability criteria to ensure they are fit for purpose and cost effective (eg potential for improved service delivery, value for money)?

7 Outcomes

Does risk management contribute to achieving outcomes?

Summary of progress

Level 1: No evidence	Level 2: Satisfactory	Level 3: Good	Level 4: Very Good	Level 5: Excellent
No clear evidence of improved outcomes	Limited evidence of improved outcome performance consistent with improved risk management	Clear evidence of significant improvements in outcome performance demonstrated by measures including, where relevant, stakeholders' perceptions	Clear evidence of very significantly improved delivery of outcomes and showing positive and sustained improvement	Excellent evidence of markedly improved delivery of outcomes which compares favourably with other organisations employing best practice

Evidence

Has risk management action contributed to:

7.1 Successful delivery?

- Better public services (delivery to meet commitments eg to quality, coverage, timeliness, with few errors etc; potential disruptions to delivery anticipated and avoided/addressed/mitigated etc)?
- Sustained improvements in services (continuing improvement over time taking account of stakeholder and public views, lessons learned, government priorities and changing circumstances to ensure meet (and continue to meet) public expectations)?
- Few negative, more positive press reports on delivery?
- Achievement of business objectives (including intermediate targets, milestones, review criteria etc)?
- Project success?
    - Programmes and projects deliver as intended (eg good, effective IT systems; intermediate measures eg traffic lights at 'Gateway' review – may include managing 'red' to 'green'; meeting intermediate targets for delivery of project elements or stages etc)?

- Programmes and projects delivered to time and budget (eg Effective IT systems by due date and cost,; meeting intermediate milestones for cost and time on profile for project progress; etc)?
- Few significant failures consistent with risk appetite/tolerance?

- PSA target achievement (including interim measures, eg traffic light status, milestones, trend analysis)?
- Few NAO reports citing failures of risk management?
- Few press reports commenting on failures that relate to failures of risk management?

7.2 Meeting planned financial outcomes?

- Improved value for money?
- Delivery within budget (e.g. fewer calls on reserves arising from inadequate risk management)?
- Effective control of fraud (eg evidence of less fraud or trend towards less fraud – both fewer instances and reduced size of loss; may involve more fraud identified as an initial phase of better control)?
- Effective cash management?

7.3 Effective management of risks to the public?

- Improved public understanding of risks and risk management (eg as assessed by survey results; fewer demands for 'zero' risk; understanding of need for considered and proportionate action in response to risk issues; fewer demands for 'instant' action to increase controls in response to accidents/incidents etc)?
- Increased public confidence that risks are well managed?
- Increased trust in Government/Department risk based decisions?
- Better achievement of targets for risks to the public?
- Improved responsibility by the public in risk matters (eg more willingness to act proactively in response to risk issues; fewer demands for risk averse action by government; more willingness to accept responsibility where public can control the risk)?
- Greater satisfaction from the public with the way risks are handled (eg results of surveys; few complaints, protests etc, more positive comments, support for actions etc)?

7.4 Maintenance of high reputation for the organisation?

- Attract positive 3rd party comments (eg press)?
- Attract positive public comments (eg surveys, communications on departmental issues, comments to the press etc)?
- Attract positive comment from staff, partners, stakeholders, professional and other bodies of repute (eg stakeholder surveys, staff surveys, project/programme reviews, publications in magazines etc)?

HM Treasury contacts

This document can be found in full on our website at:
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