

# **FORESTRY COMMISSION ENGLAND**

## **Risk Management**

### **Policy & Procedures**

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## Section 1 Risk Management Corporate Policy

### 1.1 Definition

Risk arises as a result of uncertainty about future events. Nearly everything we do involves a degree of uncertainty so we have to focus on those risks that may impact on our objectives. Risk within the Forestry Commission (FC) is defined as

*the implications of any event that might impact on the achievement of the Forestry Commission's objectives*

This includes opportunities as well as threats, relates to both internal and external entities and factors (partners, legislation) and includes impacts on the tangible (staff, property) and intangible (reputation) aspects of the organisation.

### 1.2 Background

The Director General, Country Directors and Agency Chief Executives must satisfy themselves that sufficient controls are in place within the Commission. To evidence this, they must sign and publish Statements on Internal Control (SIC) as part of their annual accounts. The SIC explains the nature of, and any material changes in, control exercised through the whole of the accounting period. The SIC is therefore the end result of a process of management that is embedded in the planning, operational, monitoring and review activities of the organisation, these activities being the critical elements of the statement.

Risk Management is an important part of our control environment because it identifies and assesses risks to the delivery of our objectives. At the same time, these controls allow the FC to maximise its opportunities. Risk management is the systematic, positive identification, evaluation and treatment of those risks and opportunities. It is a key part of the broader, corporate governance arrangements.

Sometimes risks can be viewed negatively, and this can lead to inaction through fear of getting things wrong. Risk management is an opportunity and empowers the organisation and its staff.

The FC Executive Board recognises that it may not be possible to fully eliminate risk. Indeed it may not be economically viable to do so. Risk must be managed but management of risk is not the same as risk aversion i.e. an unwillingness to accept any risk. For the FC to make the most effective, efficient and economic use of its funding and other resources we cannot simply avoid risk at all costs and there will be times when a "belt and braces" approach is not cost effective.

We therefore need to understand the amount of risk that the FC is prepared to accept before we take action (the risk appetite). It is also accepted that any risk could suddenly be realised. To this end Business Continuity Plans (BCP) need to be drawn up to identify the actions to be taken should the risk materialise.

The focus is to manage risks that may have a serious affect on our objectives. Each country has different objectives agreed with its administration and set out in its forest strategy. We need to prioritise and manage these risks whether they are unique to one country or common to all. The successful delivery of our objectives often depends on our stakeholders. We must, therefore, also look beyond the Commission and identify risks to our objectives from these sources. As well as current risks, consideration should also be given to emerging risks and risks that may occur in the future.

Risk management is not new. It takes place daily throughout the Commission by staff at all levels. In the past the Commission did not have a formal process for managing risk but that has changed in recent years. The FC now has comprehensive and consistent risk management across the organisation. Risk management as an integral part of managers' jobs and the relevant Management Boards regularly review, debate and manage their key risks. In addition, Audit and Risk Committees (ARC) formally monitor the process and its implications for the business and provide feedback to the National Committees and the Board of Commissioners. However, to ensure that risk management remains standard practice for managers and staff it is essential that there is a clear statement of what it involves and the benefits that it can secure in terms of achieving the FC's objectives.

We have developed a proactive approach to risk management. This ensures that we focus on being forward looking and that we take advantage of opportunities rather than reacting to situations. Working in a "non-blame" culture is also critical to successful risk management. Without this, people will perceive risk management in a negative way. They will not look at it as part of a way to explore opportunities. There will also be a natural tendency to bury "bad news". This document outlines how we will achieve a positive approach to risk identification and management.

By formalising our policy and procedures we ensure the identification and management of the key risks affecting the achievement of the Commission's varied objectives. This is because effective management of:

- opportunities will enable the organisation to provide improved services;
- threats will place the Commission in a stronger position to deliver its objectives and increase the possibility of success.

The objectives of our **risk management strategy**, which contribute to the Commission's overall aim *"the sustainable management of our existing woods and forests, and a steady expansion of tree cover to increase the many, diverse benefits that forests provide to meet the needs of present and future generations"* are to:

- identify and manage the principal risks that would prevent the organisation from delivering its overall purpose and operational objectives;

- identify and assess new opportunities;
- ensure the health and safety of staff, visitors and contractors;
- protect the reputation of the organisation and of the staff within it;
- ensure the DG as Principal Accounting Officer and other Accounting and Accountable Officers are able to prepare a Statement on Internal Control as per HM Treasury and devolved administration requirements, in their Annual Accounts;
- reduce risk, and the cost of risk;
- learn lessons from incidents and effect change to prevent the recurrence;
- offer value for money by making best use of available resources.

### **1.3 Internal Audit Planning**

The Internal Audit service adopts a risk-based approach to its work with the overall objective of evaluating and improving the effectiveness of the Commission's risk management, internal control and governance processes. The Head of Internal Audit provides annual reports and assurance statements to the Principal Accounting Officer and other Accounting/Accountable Officers. Each report contains an overall assessment of the adequacy and effectiveness of risk management, control and governance within each entity. The internal audit work plan that underpins these statements is informed by the inherent risk assessment. Where there is significant inherent risk, there is clearly a need to ensure that the controls that are in place are efficient and are effective and being enacted.

### **1.4 Accounting Inspections**

Risk registers also help inform the planning of accounting inspection work.

### **1.5 Planning and Budgeting**

The risks associated with individual projects must be identified and considered as part of the cost/benefit assessment. The cumulative exposure to risk then needs to be considered. The Commission's planning and budgeting process is used to set objectives, agree action plans, allocate resources and identify of risk as part of the business planning round is essential.

### **1.6 Monitoring and Reporting**

Regular reporting and monitoring of progress towards meeting objectives and of controlling key risks must be undertaken. This ensures effective management of any problems or opportunities as they arise.

## **1.7 High Level Risk Framework (focusing only on significant risks)**

All risks should be identified and reviewed. This process could identify large numbers of risks. It is not practicable to deal with all of these at once. Indeed, many will already be well controlled and so have little real impact on the business. Consequently the focus for management action should be on those risks which have a potentially significant impact on the business.

## Section 2 Forestry Commission England Roles and Responsibilities

The risk registers and the wider procedures must provide clarity in terms of 'who does what' otherwise there is a danger that everyone will assume that someone else is managing the risk, causing damage or loss that could otherwise have been influenced, controlled or avoided.

**Risk management is the responsibility of every member of staff within Forestry Commission England (FC England).**

Everyone has a role in managing risks and should therefore understand and accept responsibility for managing the risks within their own area of authority. **The Director England and Chief Executive of Forestry Commission England** as Additional Accounting Officers, are responsible for signing the Statement on Internal Control in the annual accounts and/or Annual Assurance Statements.

We need to embed effective risk management into the culture of FC England. We cannot do this by periodically ticking boxes. Risk management has to be part of our thinking process when taking our daily management decisions. We may not all be involved in addressing, reviewing and reporting on risks, but we can all be involved in identifying and assessing risks. If you become aware of a risk in your area of work that is not already recognised and recorded, you need to share this new information with your line managers, and if appropriate the Executive Board. Everyone has a part to play - it is not the sole domain of managers or the senior management team.

### 2.1 All Managers

All managers have a general responsibility to ensure that their teams are familiar with the latest risk management guidance. Managers and any of their staff who have particular risk management responsibilities should have these reflected in their forward job plans.

### 2.2 England Executive Board

The Board is corporately responsible for owning FC England's risk management policy, ensuring that it is implemented and that they strategically review key risks. In order to fulfil these tasks, the Senior Risk Owners (see below) will need to provide the Board with accurate and up-to-date information on new risks and on performance in managing existing risks.

### 2.3 Senior Risk Owners

Each risk that is identified in the risk register will have a corresponding Senior Risk Owner (SRO). SROs are board level officers so that they have the authority to take effective action (for example by being able to switch resources to tackle a

risk or give agreement not to deliver other work of lower priority). If an SRO finds that they cannot take such action, then the risk must be escalated to the next level. Currently the SROs are the Chief Executive of Forestry Commission England and the Chief Executive Forestry Enterprise England.

The SRO is responsible for ensuring the quality of data recorded about the risk in the register e.g. accuracy and currency. They will oversee the controls that are in place and will review the proposed contingencies and develop additional actions as required. Where there is a different individual nominated as the day-to-day manager of the risk (the Risk Manager), the SRO will provide appropriate oversight. Where a new risk is emerging the board level manager for the area is responsible for ensuring that the risk is added to the relevant risk register.

## **2.4 Audit and Risk Committees**

The Audit and Risk Committee (ARC) is responsible for reviewing the processes for managing risk and ensuring that it is being enacted. The Committee has a standing agenda item on risk and will receive feedback from the Executive Board and the Head of Internal Audit. They are responsible for advising the National Committee and the Board of Commissioners on the performance of the key processes and on how effectively the principles of good risk management are being embedded.

The ARC prepares an annual report of its review of the effectiveness of the Commission's system of internal control, including risk management, for consideration by the National Committee/Board of Commissioners.

## **2.5 Risk Managers**

Risk Managers are appointed by the SROs for FC England. The appointment is based on their ability to run the day to day processes required to manage specific risks. They will monitor and review current risks regularly and report any issues that have been identified to their SRO as required. They will also inform SROs of any new risks they become aware of immediately.

## **2.6 Cost Centre Managers**

The risks associated with any significant tranche of work must be identified as part of the business planning submissions. This includes for instance the sensitivity of income/expenditure estimates as well as any non financial risks, e.g. health and safety.

## **2.7 Senior FC Corporate Roles**

### *2.7.1 Director of Finance (GB)*

Director of Finance (GB) has the additional responsibility of monitoring that the financial policies and processes that underpin the Commission's business are operated satisfactorily in all parts of the FC. This is essential if we are to ensure that each Statement on Internal Control demonstrates the operation of adequate controls and is acceptable to our external auditors. Good risk management also needs to be closely integrated with business planning (both annual and longer term) and business performance review, and the Director of Finance (GB) has a key role in monitoring that this happens.

#### *2.7.2 Human Resources and Information Services*

Director of HR and Head of IS have the same responsibilities for their divisions.

Heads of the Shared Services are required to sign Annual Assurance Statements for each Agency CEO and Country Director. The Assurance Statements include reports on the operation of risk management processes and procedures.

#### *2.7.3 Head of Internal Audit*

The Head of Internal Audit has a central role in ensuring that each Statement on Internal Control is acceptable, and in advising the Director General and the Audit and Risk Committees on the 'health' of the Commission and its Agencies' risk management processes. As part of Internal Audit's work, information is gathered on the robustness of the implementation of the risk management policy across the Commission. The Head of Internal Audit provides information on the various strengths and weakness of the approach, and will advise on where improvements are necessary and desirable for the good governance of the Commission.

#### *2.7.4 External Audit*

External Audit's responsibilities and duties include reviewing and reporting on corporate governance arrangements as they relate to:

- the systems of internal control;
- the regularity of transactions, and the prevention and detection of fraud and irregularity;
- standards of conduct and prevention and detection of corruption;
- the entity's financial position.

They also review and report on aspects of arrangements to manage the entity's performance, as they relate to economy, efficiency and effectiveness in the use of resources and audit the financial statements including the Statement on Internal Control.

#### *2.7.5 Risk Improvement Manager (RIM)*

The Commission's RIM had a pivotal role to play in providing technical assistance to the RMG members (see below), but now is significantly involved in monitoring progress in the various parts of the Commission. The RIM will also act as a conduit for linking into work on risk in other Departments (eg through involvement in the inter-departmental RIM network). They will establish a network covering all parts of the Commission and will make suitable training available for staff.

#### *2.7.6 Risk Management Group (RMG)*

The Risk Management Group was disbanded in 2009 after over seeing the development of formal risk policies and strategies across each country. Countries are now individually responsible for risk strategies and policy going forward. When the need arises a forum of country representatives meet to discuss the Commission's risk management

## Section 3 Management of Risk Processes

### 3.1 The Risk Management Process

Our procedures and the risk register layout continue to evolve with experience and outside developments. A copy of the current Risk Register layout is attached at Annex A.

Policy objectives will be delivered by:

- arrangements at every level within FC England to identify, evaluate and manage risks;
- an organisational structure for managing risk with clear responsibilities at every level, whose role will be to assist in the development of good risk management practice throughout FC England;
- developing a sound understanding of good risk management practice throughout the organisation;
- effective recording and reviewing arrangements to ensure this is a continual and developing process.

The resources available for managing risk are finite and so the aim is to achieve an optimum response to risk, prioritised in accordance with an evaluation of the risks. Risk is unavoidable, and every organisation needs to take action to manage risk in a way that it can justify to a level that it can tolerate. The amount of risk that is judged to be tolerable and justifiable is the “**risk appetite**”.

Managing risks is not a one-off process. It is a continuous process with all stages informed by an open review of adverse incidents.

Our approach to risk management is **objective-driven**. FC England’s objectives are agreed as part of each spending review. It is these objectives that determine our activities; how we plan our business and allocate resources, how we create and revise our policies, how we measure and review our performance and the identification of key risks. Where work does not directly link into any one of the objectives, risks may impact on several objectives, rather than not being relevant to any. A register of these risks is maintained and each risk is owned by an SRO, although they may delegate the day to day management of the risk to a Risk Manager.

Definition of the risk is key. For instance whilst qualification of our annual accounts might create problems, the threat is that the relevant administration may reduce our funding or place additional monitoring and reporting requirements on us because it believes that we are unable to manage the funds effectively. FC England’s methodology seeks to tease out the real risks by separately identifying the objectives, the threats to those objectives and the risks to the activities undertaken to deliver them.

Risk assessment needs to be documented in a way that records the stages of the process. Documenting risk assessment creates a **risk profile** for the organisation which:

- facilitates identification of risk priorities (in particular to identify the most significant risk issues with which senior management should concern themselves);
- captures the reasons for decisions made about what is and is not tolerable exposure;
- facilitates recording of the way in which it is decided to address risk;
- allows all those concerned with risk management to see the overall risk profile and how their areas of particular responsibility fit into it;
- facilitates review and monitoring of risks.

### 3.2 Identifying our objectives

The running of an organisation is primarily concerned with delivering objectives and meeting key performance targets. Successful risk management depends on ensuring that we have clear, agreed objectives at every level and that these reflect the most important things we have to deliver. These are set during the Spending Review (SR) and cannot usually be changed within the SR period.

### 3.3 Effective Risk Management

There are five aspects to effective risk management. Each risk must be: Identified; Assessed; Addressed; Recorded and Reviewed.

#### *3.3.1 Identifying the risks*

To manage risk effectively we need to know what they are. This can be thought of as developing a risk profile. To ensure consistency across the Commission, it is helpful if this profiling is carried out within an agreed framework and recorded in a risk register for each entity.

#### *3.3.2 Assessing the risks*

This element requires us to make judgements about how serious the risk is i.e. what impact it would have if it materialised, and how likely it is to occur i.e. the probability of it happening. This enables us to prioritise risks and to identify where best to invest our risk management efforts.

Within each register, risk is assessed at two stages. At the **Inherent risk** stage the risk is assessed for likelihood and impact without any controls in place. This assessment determines the relative importance of the risk and shapes our response for instance a low inherent risk score would tend towards 'tolerate'

rather than ‘treat, transfer or terminate’. The inherent risk assessment also informs the Internal Audit work plan. The greater the inherent assessment the greater priority will be given to auditing the controls that are in place. Where controls are necessary, they are outlined, each risk is then reassessed in the light of those controls and a judgement is made as to whether the **Residual risk** is acceptable (within our risk appetite). Where it is, we should do no more than monitor the risks and the effectiveness of the controls. Where it is not, we must take sufficient action to bring the residual risk within our risk appetite (this approach also recognises that there are risks that cannot be removed by controls or that are not cost effective to control). Risks may be internal, but equally might be the result of external threats or opportunities eg climate change. Equally we need to look ahead and consider risks that may emerge as circumstances change. This is particularly difficult and we have to take a balanced view, we cannot dwell on risks that are extremely remote or contingent on a series of events.

Assessment of risks should be an on-going “living” process, not a matter of ticking boxes and must not be allowed to become bureaucratic. We have risk registers to help reduce risk not to be able to tick a box. We believe that a culture that routinely and systematically identifies risks should be well placed to assess, address and reduce its exposure to risk.

### Likelihood

The 5 possible levels of likelihood are set out below.

Score	Definitions
5	Highly probable
4	Probable
3	Possible
2	Unlikely
1	Remote

### Impact

The impact, should the risk materialise, might be Economic, Reputation, Environmental and/or Social. A scale of 1 to 5 is also used for each category. The highest score given across the categories determines the overall impact score.

The five impact categories are defined as:

<b>Economic</b>	This relates largely to financial impact eg impacts that relate to the management of the estate to benefit the wider economy. This includes opportunities or possible adverse effects relating to the maximisation of the value of the wood resource and maintenance of high and stable levels of economic growth and employment.
<b>Reputation - Ministerial</b>	This relates to the level of criticism that

	might be levelled at our Minister. In relation to residual risk it assumes that the impact will be mitigated if a strong defence exists eg processes are in place and are being enforced, all reasonable and economically viable measures have been taken.
<b>Reputation - Other</b>	This relates to the level of criticism that might be levelled at the Commission and the effect that this might have on our relationships with other organisations and with the public.
<b>Environmental</b>	This relates to the implications for the targets of: maintaining and enhancing the bio-diversity, cultural value and landscape character of our estate, making a positive contribution to the environment, effective protection of the environment and prudent use of natural resources.
<b>Social</b>	This relates to the implications for the targets of contributing to the quality of life for a wide range of people by creating opportunities to enjoy trees, woods and forests and helping communities to benefit from woods and forests whilst recognising the needs of everyone.

The definitions of each level of impact in each category will vary from country to country and agency to agency reflecting for instance the relative size of the budget.

The table below has been provided as a starting point for discussions within each country/agency.

Score	Impact levels	Economic	Reputation	Environmental	Social
<b>5</b>	<b>Catastrophic</b>	Loss of expenditure capacity of more than £250k	FC suffers permanent reputation damage, government criticised nationally	Death of member(s) of staff, member(s) of public Permanent environmental damage covering major area or bio-system	Alienation of population, Failure to meet national objectives for FC Loss of 70% of forest users

<b>4</b>	<b>Major</b>	Loss of expenditure capacity of less than £250k but more than £100k Loss of grant for specific project	Ministers/ FC criticised nationally Partners want to withdraw from arrangements or unwilling to work with FC in future	Serious injury to member(s) of staff, member(s) of public Serious but recoverable environmental damage covering major area or bio-system	Failure to deliver KPIs Loss of more than 50% of forest users Unable to meet national agreements
<b>3</b>	<b>Moderate</b>	Loss of expenditure capacity of less than £100k but more than £25k Suspension of grant for specific project	Escalation of issues to government level Partners/ funders seek special arrangements or conditions	Recoverable environmental damage to locality or bio-system	Failure to deliver local KPIs Loss of over 30% of forest users Unable to meet local agreements
<b>2</b>	<b>Minor</b>	Loss of expenditure capacity of less than £25k but more than £5k	Escalation of issue to FC level Partners/ funders express concern	Temporary damage to locality or bio-system	Minor worsening of relationships with local populations
<b>1</b>	<b>Insignificant</b>	Loss of expenditure capacity of less than £5k	No major impact on public domain, normal management responses acceptable	Minor environmental impact, recoverable through immediate response	Sporadic isolated incidents, recoverable by immediate management responses

Within FC England the impact and likelihood assessments are mapped to provide a “heat map” to give an overall risk rating and allow prioritisation of the risks.

### Risk Heat Map

		Scores				
<b>Impact</b>						
<b>Catastrophic</b>	<b>5</b>	5	10	15	20	25
<b>Major</b>	<b>4</b>	4	8	12	16	20
<b>Moderate</b>	<b>3</b>	3	6	9	12	15
<b>Minor</b>	<b>2</b>	2	4	6	8	10
<b>Low</b>	<b>1</b>	1	2	3	4	5
<b>Likelihood</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
		<b>Remote</b>	<b>Unlikely</b>	<b>Possible</b>	<b>Probable</b>	<b>Highly probable</b>

### Risk Ranking

The Heat map is used to determine the Risk Ranking. This will determine who, how and where the risk is managed.

<b>1-7</b>	Manageable Risks: Overall rating is 7 or less. Content to carry these risks. Keep an eye on them though.
<b>8-14</b>	Material Risks: Overall rating is 8-14. Concerned about these risks. Need to be managed by the cost centre in which they have been identified.
<b>15-25</b>	Significant Risks: Overall rating is 15 or above. Most concerned about these risks. These risks are significant and may need to be escalated to Head of Department and/or Executive Board.

#### 3.3.3 Addressing the risk

Response to risk, which is initiated within the organisation, is called “internal control” and may involve one or more of the following: Tolerate, Treat, Transfer, Terminate (this is discussed further later in this document).

#### 3.3.4 Response to the Risk

The inherent risk assessment will determine the initial response and will inform the controls while the residual risk assessment will determine whether further action is needed.

Each country/agency will have its own policy on which management level each risk score must be referred to eg all risks scoring 20 or more must be referred to the respective national/agency management board.

The possible responses are:

**Treat:** by far the greater number of risks will be in this category. The purpose of treatment is not necessarily to terminate the risk but, more likely, to set in train a planned series of mitigation actions to contain the risk to an acceptable level and/or reduce the likelihood of the risk materialising;

**Transfer:** this might be done through such things as conventional insurance or by asking a third party to take on the risk in another way. Contracting out some of our services, for example, transfers some, but not all, of our risks (and often introduces a new set of risks to be managed);

**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 benefits from doing so. In this instance, the only management action required is to 'watch' the risk to ensure that its likelihood or impact does not change. If new management options arise, it may become appropriate to treat this risk in the future;

**Terminate:** Some risks will only be treatable to a limited residual risk level, which may be outside the organisation's risk appetite. In such circumstances it will be necessary to terminate the activity. It should be noted that the option of termination of activities may be severely limited in government when compared to the private sector; a number of activities are conducted in the government sector because the associated risks are so great that there is no other way in which the output or outcome, which is required for the public benefit, can be achieved. This option can be particularly important in project management if it becomes clear that the projected cost / benefit relationship is in jeopardy.

Unless a decision is made to terminate or transfer the risk, where the inherent risk impact is major or catastrophic and the likelihood is probable or highly probable a **BCP** must be put in place.

## Control Regime

There are two aspects to the control regime. The first is a narrative, describing the control(s) that are in place. The second is a link to the relevant document(s). This is particularly useful as a lack of documentation will bring into question the existence/effectiveness of the control.

Controls can be:

### **Preventive**

These controls are designed to limit the possibility of an undesirable outcome being realised. The more important it is to an organisation that an undesirable outcome should not materialise, the more important it becomes to implement appropriate preventive controls. The majority of controls implemented in organisations tend to belong to this category. An example of preventive controls is separation of duty; whereby no one person has authority to act without the consent of another (such as the person who authorises payment of an invoice being separate from the person who ordered the goods). This prevents one person securing goods at public expense for their own benefit, or requiring action to be authorised (such as only suitably trained and authorised staff being permitted to handle media enquiries. This should prevent inappropriate comment being made to the press).

### Directive

These controls are designed to ensure that a particular outcome is achieved. They are particularly important when it is critical that an undesirable event is avoided - typically associated with Health and Safety or with security. Examples of this type of control would be include a requirement that protective clothing be worn during the performance of dangerous duties, or that staff be trained with required skills before being allowed to work unsupervised.

### Detective

These controls are designed to identify where an undesirable situation is developing /has developed or an undesirable outcome has occurred. In general their effect is “after the event” although they may be capable of detecting emerging events. If the former they are only appropriate when it is possible to accept the loss or damage incurred. Examples of detective controls include stock or asset checks (which detect whether stocks or assets have been removed without authorisation), reconciliation (which can detect unauthorised transactions), and “Post Implementation Reviews” which detect lessons to be learnt from projects for application in future work.

### Corrective

These controls are designed to correct undesirable outcomes which have been realised. They provide a route of recourse to achieve some recovery against loss or damage. An example of this would be design of contract terms to allow recovery of overpayment. Contingency planning is an important element of corrective control as it is the means by which organisations plan for business continuity/recovery following the materialisation of a risk.

#### 3.3.4 Proximity

The Proximity informs everyone how close the risk is to affecting the business. Together with the Overall Residual score managers can consider which risks are The important risks to manage, e.g. a risk that has an Overall Residual score of 15 and a Proximity that is immediate, is more important to manage than one that Has the same score but its proximity is distant.

Proximity Term/Time	Description/Time	Description/Sectoral	Proximity Term
Immediate	This is happening now	Affects FC business directly, FC responds	<b>Immediate</b>
< 6 months	This will impact in the next 6 months	Affects forestry sector, FC will need to lead	<b>Close</b>
Between 6 months & 1 Year	Within one financial year cycle	Affect FC/sector only – others to respond	<b>Near</b>
between 1 & 4 Years	Within the scope of one SR cycle	Government wide issue, FC will have to respond	<b>Far</b>
> 4 years	Outside the scope of one SRcycle	Gov wide issue, will affect FC but for others to respond	<b>Distant</b>

### 3.3.5 Further Response

Where further action is deemed necessary, this must be described, an officer must be given responsibility for completing the additional work, a deadline must be set and an assessment must be made of how the effectiveness of the new controls will be measured.

## 3.4 Recording the Risk

Risk management is a dynamic process – new risks will be identified, some will cease to exist. It is important that the management of risk is recognised as an on-going process. Risks will be listed in the relevant risk register (Template at Annex A), and these will be reviewed regularly by the SRO and the relevant management board – not less than annually.

The new format register is set out to offer a clear view of the current risks that affect the objectives of FC England, and allow managers to make decisions regarding the controls required to manage the ‘whole life’ of risks.

The format of the new register is as follows:

- The **Risk & Threat** you have identified;
- the **Impact, Likelihood** and **Overall** ranking under the heading **Inherent Risk**;
- the **Response** required to manage the Inherent Risk;
- the **Controls** which should be sufficient to manage the risk towards a state of **Residual risk**;
- the Residual Risk overall score; and
- the **Proximity** of the risk to the business.

Risk managers will carry out the day to day maintenance of registers, ensuring all relevant risks are recorded correctly and that any risk that is ‘dead’ is removed immediately. Maintaining a relevant and up to date register is vital to ensure senior managers can respond strategically, therefore deriving maximum benefit from opportunities as they present themselves.

## 3.5 Reviewing the risk

The risk register should be monitored and reviewed by Risk managers on a regular basis (quarterly) and reviewed at least annually by the EEB.

In addition to reviewing the registers, it may be useful to use the Risk Management Matrix (Annex B), which is designed to assist senior management focus on the Significant Risks. The matrix displays the top 10-15 risks and tracks movement of the risks between Risk Ranking categories. The matrix should be updated for each meeting of the Executive Board where risk is on the agenda.

## 3.6 Point of Contact

For all matters relating to Risk Management – Point of Contact:

David Donaldson (Risk Management Co-ordinator) VOIP ext 36084

## Section 4 Best Practice Information

- Ensure wider effective governance – risk management is part of a wider process;
- Ensure that risk management is seen as a business led initiative;
- Integrate the business planning and risk processes;
- Ensure processes are in place and are quickly embedded in individual projects;
- Develop a structured and consistent approach, providing a common framework but allow flexibility to adapt it to requirements;
- Gain an early understanding of the risks facing the programme. This helps provide a clear focus on the activities that need to be undertaken to help the project move forward;
- Ensure top level buy-in; gaining, up front, agreement (and support) at senior level – i.e. SRO, Accounting Officer and Ministers - that if risks to deliver on time became too great, a decision would be taken to put back the start date or stop the initiative all together;
- Identify key stakeholders or Group members;
- Engage partners / key stakeholders early in the process/project (especially end-users);
- Ensure a common understanding of the key risks;
- Monitor and review key risks to delivery continually and closely – especially risks of fraud, stakeholder management and the overall health of the project;
- Pilot - ensure that any problems, e.g. potential for fraud, obtaining buy-in from stakeholders, are identified early and resolved prior to full project / scheme roll-out;
- Ensure management know what risks to escalate by providing and escalation process and clear guidance on risk impact and likelihood;
- Ensure regular meetings are held between planning and risk experts to enable them to provide guidance to operational level staff. This should be supported by risk workshops to help embed the risk management concepts into every day business;
- Put a challenge process in place to ensure the quality of data is adequate, so that those involved know what is needed, when it is needed and the format needed etc;
- Provide regular positive or negative feedback to ensure that the quality remains acceptable;

- Ensure that the concept of projects as investments is embraced;
- Take account of behavioural changes as well as changing processes and systems - all staff go through a learning curve before adapting.

## Annex A - Risk Register Template

Ref	Risk Description (1)	Inherent Risk (2)			Risk control measures/ proposed mitigating actions (3)	Residual Risk (4)			RAG status & change in residual score since ..... (5)	Proximity (6)	Owner
		I	L	O		I	L	O			

### Notes:

- (1) Risk description including cause and consequence in the “If” ... “then” format.
- (2) Inherent risk score - Exposure arising from a risk before any action has been taken to manage it.
- (3) Include measures already in place and future actions if known.
- (4) Residual risk score - Assessment of risk with control measures implemented.
- (5) RAG status – Red, Amber, Green (Red 15-25, Amber 4-14, Green 1-3). Change in residual score = indicate whether the score is new or has move up, down or stayed the same.
- (6) Location of the risk in terms of impacting on the business – immediate, distant etc.

## Annex B -Risk Management Matrix

