Gangmasters
Licensing Authority

GLA 46/13 Approach to Risk Management

15 July 2015

Board Paper Reference – GLA46/13 – Approach to Risk Management

1. Purpose of the Report

1.1 Risk Management is fundamental to governance of the organisation, the protection of vulnerable workers and pivotal to the GLA Board being able to effectively discharging its statutory responsibilities.

1.2 The GLA Board has duty to ensure that ensuring that the organisation has adequate risk management processes in place and is also managing risk in a proportionate, legitimate and justified way.

2. Recommendations

2.1 The Board agrees to an in-depth review of risk management through the Audit and Risk Committee (ARC) including consideration of adopting Home Office policy and templates for risk management.

2.2 The Board is invited to comment on the current organisational approach to risk and make recommendations/decisions as considered necessary.

2.3 The Board is invited to examine the current corporate risks identified by the GLA and comment accordingly.

2.4 The Board is invited to agree how risk appetite/tolerance for new risks will be set, as the current policy delegated this to the Finance and General Purposes Committee (F&GP) of the previous board structure.

2.5 The Board is asked to review the current GLA risk appetite/tolerance statement and make amendments as necessary.

Summary of the Key Points

Background – Risk Management in GLA

3.1 The GLA refreshed it approach to risk management following some work initiated by the Chief Executive through ARC and also following an internal audit inspection.

3.2 The new approach and process had just been implemented when the GLA transferred sponsor to the Home Office and with a new Board about to be appointed it was intended that the GLA would review adoption of the Home Office risk management policies and processes with the new Board, (policy set for review annually in June). See **Appendix A**.

3.3 Although there was a lot of commonality between the approach of the GLA and Home Office, HO policies and procedures are very well developed. There are benefits in adopting the same approach as sponsor, which includes to making any escalation of risk easier and to reduce the work of the organisation in maintaining and developing risk management.

3.4 ARC have requested that the Home Office and GLA approach are compared and contrasted and that the GLA establishes best practice amongst other Home Office arm's length bodies.

3.5 The current Risk Management Committee policy requires amendment from the previous process which saw the Finance and General Purposes Committee as setting the risk appetite/tolerance thresholds and ARC then monitoring the performance against this.

Role of Board

3.6 When the board sets an organisations strategy its sets the overall organisations boundaries. At its most simple, risk management set the rules that an organisation must operate within and also enables the Board to communicate the expected cultural context of the organisation.

3.7 Clear and unequivocal communication from a governance board to its organisation relating to risk is of paramount importance.

3.8 Appreciation of the likelihood and impact of any risk is fundamental to most board decisions and is included in all papers to the GLA Board. Although it is common for elements of risk management to be delegated to the ARC or similar bodies, the Board needs to retain oversight of risk.

Process

3.9 Risk Management can be a straightforward process.

1) Risks are identified

2) Risks are assessed against a framework of likelihood and impact

3) The appetite or level of risk the organisation should accept in relation to a risk is set

4) Regular monitoring of performance against the risk appetite or tolerance level is completed

5) Action is taken to manage or control risk

Benefits of Risk Management

- Reduce the risk faced by the organisation and enhance delivery of organisational objectives
- Improve oversight of the Board of risk management within the organisation
- Improve the recording of activity around risk management
- Through development of risk appetite assist the GLA with decision making by providing the parameters the GLA management should operate within
- Focus resources on areas of importance and risk to the organisation, developing more explicit links between budget or resource deployment and impact on risk
- Make roles and responsibility in relation to risk management clear

3.9 In the context of reducing resources; increasing demand; need to secure alternative sources of funding; increasing reliance on collaboration to achieve its objectives - risk management is fundamental to the success and sustainability of the GLA.

Risk Appetite

3.10 Austerity measures have placed even greater responsibility on Boards to make more proactive use of risk management as a key part of organisational governance. The GLA embraces risk management on a daily operational basis in terms of balancing its resources against demand and also at an organisational level relating to the risks that are not interdependent on its sponsor. Risk management is used by the Board to set the parameters of what is and what isn't acceptable. The Board is therefore asked to set a risk appetite/tolerance.

3.11 Risk and reward are normally linked. In the case of the financial crisis, organisations were purely focused on short term reward and felt that they could take very high risks in pursuit of that objective, resulting in distorted decision making and providing a lesson for the implications when risk management goes seriously wrong.

3.12 Traditionally the focus of public sector risk management has been on threats but risk management should also deal with opportunities. Risk is about uncertainty of outcome. Part of the GLA's current strategy includes the development of income generation streams and reliance on partnerships working which whilst seen as opportunities, also carry risk.

3.13 The management of risk is part of the discipline of ensuring the achievement of the organisation's objectives within its available resources. Decisions on how to manage risk should be taken on the same basis as any other investment decision. This should include an evaluation of the contribution to the achievement of strategic objectives and the cost of alternative options.

3.14 It is for the Board to provide the organisation with the context or parameters for this decision making through setting the risk appetite. Risk management then provides the mechanism by which the organisation can report back to the Board. A key purpose of the risk management process is giving the Board assurance that the organisation is focused on things that matter.

Risk Appetite/Tolerance Statement

3.15 Risk appetite however is the amount of risk that, on a broad level, an organisation is willing to accept in pursuit of its purposes. Each organisation pursues various objectives and should understand the risk it is willing to undertake in doing so. Organisations that manage risk effectively also have a risk appetite statement. The following reflects the current GLA approach to risk:

> *The GLA operates in an environment that includes criminality, and the GLA operations are not without risk. GLA undertakes investigations where the process and the final result cannot be predicted. Consequential court cases can be of uncertain duration and expensive. Government funding of the GLA is subject to public expenditure pressures. To fulfil its basic purpose the GLA has to accept a degree of risk; its risk appetite cannot be universally low*.
>
> *The GLA will be unrelenting in its approach to disrupt labour exploitation in all its forms by any lawful, ethical and reasonably cost effective means. Its single aim is to protect vulnerable and exploited workers hence has a low risk appetite towards safety, enforcement and compliance objectives with a marginally higher risk appetite towards its financial and legal obligations*.

3.16 Setting risk appetite/tolerance will help the GLA improve consistency of decision making enabling calculated risks to be taken or more cautious approaches adopted where appropriate. Having an understood risk appetite acts as both an enabler and restrictor of the GLA's operations, ensuring the organisation acts in accordance with the parameters set by the board and reinforcing governance. The strategy sets the direction and scope of the organisation and risk management brings this together with consideration of how this will be achieved and what the threats are to delivery of those objectives.

Performance Management

3.17 Risk management and performance management should be intrinsically linked and there is clear interplay between these. Without risk to delivery of the organisation's objectives the organisation would probably not need to exist and the GLA was created in response to a very specific risk. Hence risk management has always been at the centre of the organisation. The attached policy and new procedures will better illustrate the risk management activity of the GLA.

Risk Escalation

3.18 There may be a need to escalate risks to sponsor, when issues arise that cannot be managed internally or that could be of such significance that the sponsor needs to be fully engaged. These often involve financial or reputational issues.

3.19 Risk escalated to sponsor is considered against a formal framework and they can choose to accept or reject the risk or ask for more information. Last year the GLA escalated a budget issue, that resulted from the Machinery of Government change and this process was used to resolve this issue.

3.20 The GLA has currently escalated a risk around IT, but the risk at this time is being monitored pending wider developments that will impact on the organisation.

3.21 Risk can also read across from sponsor and there could be specific issues identified by the sponsor that they would like articulated in the risk register. The GLA and its board will make decisions on this occurrence when the need arises.

Organisational Learning

3.22 The current system of risk management and associated policies has been in operation for a year. Home Office recently was recently subject to an internal audit report on risk management and while this did not incorporate the GLA some of the issues are applicable. These will be examined in more detail as part of the review with ARC.

3.23 The GLA risk register has grown as new risks are identified and existing risks have not been removed even where the risks are low and so a process for removal of risk could be agreed through ARC.

3.24 Prioritisation of risk, introduced at the previous ARC meeting is designed to assist the board to give direction on the highest corporate risks. Annual presentation of the full risk register to the Board is still considered appropriate.

3.25 Opportunities exist to integrate more fully risk and performance management. This was identified as a common area for improvement by Home Office Internal Audit in their recent audit (which did not include GLA).

3.26 Risk mitigation measures need to be tested to ensure that they are practical and feasible. Home Office found that risk management existed in isolated areas as a process to be completed and not as a dynamic assessment of risks in reality.

3.27 The current risk register should also include more detailed proposals for business continuity in light of disaster recovery and contingency planning even though the GLA is a located within government estate.

3.28 The Home Office risk register is adept at tracking the movement in risk and in showing risk is being actively reviewed and monitored. This process is also clearly articulated. This could be adopted by the GLA.

4 Financial Implications and Budget Provision

4.1 There are no specific additional costs to the organisation of this approach and this work will be absorbed as part of existing resource. As identified above, risk management is a core function of the GLA Board in overseeing the economy, efficiency and effectiveness of the organisation.

4.2 Risk management is traditionally assessed as part of budget setting and business planning by board. ARC has suggested that the full risk register could be considered at a board meeting prior to budget and annual business planning.

5 Organisational Risks

5.1 The above approach will significantly improve the organisation’s management of risk.

6 Policy Implications and Links to Strategic Priorities

6.1 The risk register links the risks or opportunities to strategic priorities. This should ensure that the Board is better informed of the risks the organisation faces and can be assured resources are dedicated to the priorities of the Board.

7 Details of Consultation

7.1 The Senior Leadership Team was consulted as a part of developing this policy.

7.2 The approach to risk management was discussed with the previous Audit and Risk Committee. The policy was developed following these discussions, incorporating ideas in presentations by National Audit Office and the Chief Executive and an Internal Audit report recently completed on risk management.

7.3 Various publications from Treasury, National Audit Office and others were reviewed in formulating the policy.

7.4 The policy was also shared with the previous members of the Finance and General Purposes committee, who also contributed to the finalisation of the policy.

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Appendix A

Risk Management Policy

1 Introduction

1.1 The GLA's Risk Management Policy and Procedures have been developed to set out the GLA's key aims and objectives for risk management.

1.2 They have also been developed for the following reasons:

- To comply with legal and statutory requirements and to meet the requirements of external regulators and other relevant bodies
- As guidance to assist with proactive risk management and risk reduction
- To support the organisation in its approaches to ensuring safety across the organisation.

1.3 The GLA recognises that its work involves risk activities and will therefore involve a degree of risk. These risks are present on a day-to-day basis throughout the organisation.

1.4 Through risk management, the GLA wants to enable continued successful delivery of organisational objectives and minimisation of events or activities, which could result in unnecessary risks to staff and the people the organisation is charged with protecting as well as members of the public. The management of risk is a key organisational responsibility of all staff employed by the GLA.

1.5 The GLA acknowledges its legal duty to address risk. There are also sound ethical, financial and good practice reasons for identifying and managing risks. Failure to manage risks effectively can lead to harm/loss/damage in terms of both personal injury but also in terms of loss or damage to the GLA's reputation; financial loss; potential for complaints; litigation and adverse or unwanted publicity.

1.6 Risk Management is a systematic process by which potential risks are identified, assessed, managed and monitored. It is an integral part of good Corporate Governance that an integrated approach to the overall management of risk irrespective of whether the risks are operational, organisational or financial. Risk management is also embedded with the GLA's overall performance management and links with business planning, budget setting and investment.

1.7 It is recognised that the work of the GLA will always involve a degree of potential risk, due to the complex environment it operates in and the need to balance demand against limited resources. However, it is clear that proactive risk management can help reduce these risks and also ensure risks are understood throughout the organisation improving decision making.

1.8 This policy and associated procedures aims to clarify roles and responsibilities and provide clarity on the risk management process to enable the organisation to continuously improve.

1.9 The challenge faced by the GLA is to identify and minimise as far as is reasonably practicable the potential for such risks to materialise by being pro-active and to ensure where required that organisational learning takes place.

2 Scope

2.1 This policy and the related procedures apply to all staff.

3 Aims and Objectives

3.1 The GLA is committed to meeting the objectives set by the Board whilst acting with responsibility to protect the vulnerable people it is charged with helping to protect within the financial and performance framework of the organisation.

3.2 The overall aim is to achieve a culture where risk management and safety is everyone's business, there is open and honest reporting of incidents, a culture that encourages organisation wide learning and risks are continuously identified, assessed and minimised.

3.3 When things go wrong it is important that the response is one of openness and learning with a drive to reduce future risk. The GLA accepts that "honest failures" may occur and believes that risk and safety activities can and will inform and improve practice.

3.4 Through a coordinated approach to the management of risk and quality governance, within this organisation, the aim is to:

- Improve protection of people the GLA is charged with protecting.
- Maintain a safe environment free of unnecessary risks.
- Ensure the provision of a robust system for reporting and analysis of incidents with timely learning for all staff.
- Ensure that there are effective risk management systems, processes and arrangements in place and that these are monitored on an ongoing basis.
- Create an open and fair approach to incident identification and investigation, supported by a learning culture.
- To support the achievement of the GLA objectives as set out in the Annual Plan and performance targets.

- To ensure that all staff are aware of the process for the management of risk locally, and corporately and of the committee structure supporting risk management within the organisation.

- To ensure staff are aware of their duties in relation to risk management, that there are clearly defined roles and responsibilities for the management of risk and that management levels of authority in relation to risk are clear.

- To use risk assessments and intelligent risk information i.e. Risk Registers and data sources, to inform the overall business planning/investment process in the organisation.

- To identify the process through which the Board and associated committees delegated by board will review, scrutinise and monitor the Risk Register and provide risk tolerance.

4. Outcomes

4.1 The GLA will meet its statutory duties and comply with all appropriate regulations, assessments, accreditation and external reporting requirements.

4.2 GLA staff will be aware of their duties and responsibilities in relation to risk management and will manage and escalate risks accordingly.

4.3 Through effective risk management the GLA will meet its objectives. By being intelligence led and acting with due regard for risk management it will continue to make the best use of resources.

5. Responsibilities

GLA Board

5.1 The Board is collectively accountable for risk management and has a collective responsibility to ensure that the Board provide review and challenge to support the management of risk.

5.2 The Board has delegated responsibility for risk management to the Audit and Risk Committee (ARC). At each Board meeting the Chair of ARC, reports to the Board on the ARC review of risk.

5.3 The Board has delegated responsibility to the Finance and General Purposes Committee for setting the risk appetite and this will be done in accordance with principles agreed by the Board.

5.4 The Board will review a full copy of the risk register at least annually to support business planning and budget setting, to ensure all Board members are aware of risk management issues and environment within which GLA is operating.

5.5 The Board will also assist the organisation through the identification of strategic risks.

6 Risk Appetite

6.1 Risk appetite is the amount of risk, on a broad level; an organisation is willing to accept in pursuit of its purposes. Each organisation pursues various objectives and should understand the risk it is willing to undertake in doing so.

6.2 The GLA operates in an environment that includes criminality, and GLA operations are not without risk. The GLA undertakes investigations where the process and the final result cannot be predicted. Consequential court cases can be of uncertain duration and expensive. Government funding of the GLA is subject to public expenditure pressures. To fulfil its basic purpose the GLA has to accept a degree of risk; its risk appetite cannot be universally low.

6.3 The GLA will be unrelenting in its approach to disrupt labour exploitation in all its forms by any lawful, ethical and reasonably cost effective means. Its single aim is to protect vulnerable and exploited workers hence has a low risk appetite towards safety, enforcement and compliance objectives with a marginally higher risk appetite towards its financial and legal obligations.

6.4 For individual risks the GLA will monitor identified risks against the risk appetite and complete variance reporting back to ARC when risk appetite levels are breached or the levels of risk have changed.

7 Chief Executive

7.1 The Chief Executive has overall accountability for risk management, delegating responsibility to risk owners. Also ensuring that risk management is part of decision making. The management of day to day operational risks may also be delegated to the Chief Executive by the Finance and General Purposes Committee.

7.2 The Chief Executive is responsible for the implementation of the Risk Management Policy throughout the GLA, notably ensuring that the GLA Risk Register is comprehensive, current and that each risk is allocated to an appropriate member of Senior Leadership Team (the Risk Manager).

8 Risk Manager

8.1 Each risk manager is responsible for reporting on the development and progress of risk management within their sphere of responsibility and for ensuring that related policy and procedures are implemented and evaluated effectively.

8.2 The risk manager also has responsibility for identification of how risk can be mitigated and identification of source of assurances to ensure that controls put in place are working and the risk remains within tolerance levels set. Although reporting to the board is completed periodically it is important that risks are more regularly reviewed and issues reported at Senior Leadership Team meetings.

8.3 As it is the Board that is ultimately responsible for risk, the risk manager has responsibility for ensuring the risk is accurately reported including the limitations of risk management and accurately showing the residual risk.

9 Project Managers

9.1 Projects are likely to have specific interlinking risks and it is the responsibility of the project manager to identify these

10 All Staff

10.1 All staff have a responsibility for identifying actual or potential hazards and risks and reporting/escalating issues through managers so that risk are fully captured. Staff should also be aware of how their work links to risks identified in the risk register.

11 Process

11.1 **Appendix B** details the proposed policy and the required process.

Appendix B

Risk Management Process/Guidance

1. Identification

1.1 **Risk is defined as this uncertainty of outcome**, whether positive opportunity or negative threat, of actions and events.

1.2 Once identified the risk is to be recorded in a risk register and assessed in respect of the combination of the:

1) likelihood of something happening, and

2) impact which arises if it does actually happen.

1.3 Risk management includes identifying and assessing risks (the “inherent risks”) and then responding to them (the ‘residual risk’ after the response has been applied).

1.4 Each risk should be owned by a member of the Senior Leadership Team (SLT) and should be subject to regular review. However like Health and Safety in the workplace risk management is the responsibility of everyone. The Board’s expectations for risk appetite should also be understood by all staff.

1.5 The review of risks should also include showing the direction of travel, if the risk is increasing, reducing or remaining static. It is unlikely that risks will remain static as they are commonly impacted by internal and external forces, so need to be actively managed.

1.6 To support prioritisation risk analysis matrices are used so the highest level of risk can be addressed first. This is commonly done by multiplying scores for both impact and likelihood to come up with an overall risk score, using a risk analysis matrix.

1.7 Risks should be linked to objectives of the organisation, to show how risk impacts on achievement of organisational objectives.

Scoring

Risk Analysis Matrix

Likelihood	Likely 80% +	5	5 Low	10 Medium	15 Medium	20 High	25 High
	Probable 60% 80%	4	4 Low	8 Medium	12 Medium	16 High	20 High
	Possible 30% - 60%	3	3 Low	6 Low	9 Medium	12 Medium	15 Medium
	Unlikely 10%- 30%	2	2 Low	4 Low	6 Low	8 Medium	10 Medium
	Remote >10%	1	1 Low	2 Low	3 Low	4 Low	5 Low
			1	2	3	4	5
			Minor	Moderate	Significant	Serious	Major

Impact

1.8 Understanding the inherent risk remains important as it is the risk the organisation faces if the mitigating controls it has put in place fail. It also enables judgement to be made on effectiveness of any counter measures to mitigate the risks.

Likelihood Guidance Scoring

Likelihood score Descriptor	**1 Remote**	**2 Unlikely**	**3 Possible**	**4 Probable**	**5 Likely**
Frequency How often might it/does it happen	This will probably never happen.	Do not expect it to happen/recur but is possible	Might happen occasionally	Will probably happen but it is not a persisting issue	Will undoubtedly happen possibly frequently
Probability Likelihood of it occurring within a given time frame	<10 per cent	10-30 per cent	30 -60 per cent	60–80 per cent	>80 per cent

Impact Scoring Guidance

Impact Descriptor	**1 Minor**	**2 Moderate**	**3 Significant**	**4 Serious**	**5 Major**
Operational	Evidence of minor infringement.	Evidence of Moderate Breach likely to require additional licensing requirements	Evidence of Breach that could result in revocation. Withholding of payments to workers Unlicensed Activity	Evidence of material or repeated breach Criminal activity. could result in immediate revocation	Threat of injury or death. Organised Crime
Budgetary	Small non recurrent overspend manageable within overall budget allocation.	Moderate non recurrent overspend or recurrent overspend that requires some realignment.	Spend that requires referring to sponsor as cannot be contained internally, or recurrent overspend not matched by recurrent savings.	Significant spend that requires referring to sponsor as cannot be contained internally, or recurrent overspend not matched by recurrent savings.	Significant recurrent overspend not matched by savings or additional funding from sponsor.
Financial Claim or Loss	Insignificant cost or loss >£250	Small cost or loss £250-£500	Significant Cost £500-£1000	Material Cost £1,000 - £5,000	Major >£5,000
Business Disruption	Small interruption to internal business, individual systems or sections for short period >1 hour	Lengthy disruption to internal business systems up to 1 day	Disruption to external facing licensing system >1 hour. Continual disruption to internal business systems 1-3 Days. Multiple systems or sections affected up to 1 day.	Disruption to external facing licensing system up to 1 day. Continual disruption to internal business systems or multiple sections up to 3-5 days.	Disruption to external facing licensing system for more than 1 day. Continual disruption to internal business systems or multiple sections over 5 days.

Impact Descriptor cont.	1 Minor	2 Moderate	3 Significant	4 Serious	5 Major
Projects	5-10% over budget and time scales	10-15% % over budget and time scales	15-25% over budget and time scales.	>25% over budget and time scales. Project objectives compromised	>25% over budget and time scales. Risk of non-delivery.
Adverse Publicity	Rumour, Potential Public Concern	Local Media attention for short period Expectation not met.	National Media Coverage	Sustained National Media Coverage	Sustained National Media Coverage, Parliamentary Questions Total Loss of Confidence

2. Risk Appetite/Tolerance

2.1 As risk management should be central to what an organisation does (or also equally importantly what it does not do). The acceptable level of risk should be set by the Board – defining the organisation's risk appetite in response to risks identified. This is the amount of risk the organisation is prepared to accept, tolerate or be exposed to at any point in time.

Risk Appetite
Low
Low Medium
Medium
Medium High
High

2.2 Risk appetite should not be an over-arching approach to risk, but needs to be tailored to certain circumstances to provide a meaningful framework for the organisation to operate within. An overall statement of approach has however been agreed by the Board, setting its expectation of how appetite will be set.

2.3 Risk appetite is the amount of risk, on a broad level an organisation is willing to accept in pursuit of its purposes. Each organisation pursues various objectives and should understand the risk it is willing to undertake in doing so.

2.4 The GLA operates in an environment that includes criminality, and GLA operations are not without risk. The GLA undertakes investigations where the process and the final result cannot be predicted. Consequential court cases can be of uncertain duration and expensive. Government funding of the GLA is subject to public expenditure pressures. To fulfil its basic purpose the GLA has to accept a degree of risk; its risk appetite cannot be universally low.

2.5 The GLA will be unrelenting in its approach to disrupt labour exploitation in all its forms by any lawful, ethical and reasonably cost effective means. Its single aim is to protect vulnerable and exploited workers and hence has a low risk appetite towards safety, enforcement and compliance objectives with a marginally higher risk appetite towards its financial and legal obligations.

2.6 Although mitigating risks to a minimal level may seem attractive, as resources are finite when risk management takes residual risk below the level the board has set, it could be an indication that resource is being wasted and should be redirected to other priorities. Trying to avoid all risks is dangerous as having no regard for risk is likely to paralyse the organisation.

2.7 It is likely that, as well as risks not being static, a board's risk appetite can change. Priorities can move and as resources are finite this may require re-assessment. Also as a board develops confidence in the organisation's identification and control of risk it should develop confidence in risk management processes, which may mean that a board can accept greater risk (with expectation of greater return).

2.8 Although these issues are often a matter of judgement it is important that they are completed objectively so the board can develop confidence in the organisation's management of this issue and know that risks are not under or over stated.

2.9 Once agreed the risk appetite should be communicated and managed. Where the set risk appetite is breached this should be reported back to the Board, so action can be taken. Where the risk is reduced below the risk appetite this indicates that resources used to mitigate the risks should be redeployed to other priorities. Where the level of risks exceeds that set as acceptable by a board further action is required to mitigate the risk.

2.10 All risks should also be linked back to the strategic objectives of the GLA, where there is difficulty in linking back risks to strategic objectives this could indicate that the activity should be reviewed with a view to terminating the activity.

3. Responses to Risk

3.1 There are a number of responses to risk:

3.2 **Tolerating the risk**; if the risk is at an acceptable level resource should not be wasted controlling risk (commonly risks scoring 6 or below or green risks).

3.3 **Treating the risk** to constrain or mitigate the risk to an acceptable level (commonly risks scoring 8 -15 or yellow risks)

3.4 **Transferring the risk -** Insurance/Passing responsibility to Partner or Sponsor level (commonly risks scoring 16 or above or red risks)

3.5 **Terminating the activity** - giving rise to the risk. If the risk is deemed too unacceptable, the organisation should withdraw from that activity to avoid the risk if that is possible (commonly risks scoring 16 or above or red risks)

3.6 **Take Opportunity** – there are occasions where risks should be embraced, accepting the risk in expectation of beneficial outcome. Avoiding all risks can be irresponsible as disregarding risk is likely to paralyse the organisation

3.7 The response should be tested – to see if this has placed the residual risk within risk appetite. The response should be considered in terms of value for money as well as being realistic and proportionate.

4. Sources of Assurance

4.1 Ideally for all controls a source of assurance should be identified which enables assurance that the control is working as expected and the risk is being mitigated as expected. This enables variance reporting to be completed and early identification of changes in relation to risk.

5. Controls

5.1 In terms of dealing with risk a number of possible measures are identified if it is decided that the risk needs to be treated or mitigated:

5.2 **Preventive Controls** These controls are designed to limit the possibility of an undesirable outcome being realised. The more important it is that an undesirable outcome should not arise, then the more important it becomes to implement appropriate preventive controls. The majority of controls implemented in organisations tend to belong to this category. Examples include separation of duty or limitation of action to authorised persons.

5.3 **Corrective Controls** 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 is insurance or contingency planning.

5.4 **Directive Controls** 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 include a requirement to wear a stab vest during the performance of duties, or that staff be trained with required skills before being allowed to work unsupervised.

5.5 **Detective Controls** These controls are designed 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. Examples include stock or asset checks, reconciliation (which can detect unauthorised transactions), and "Post Implementation Reviews" which provide lessons to be learnt from projects, and monitoring activities which detect changes that should be responded to.

6. Risk Categories

6.1 In order to assist management of risk the following headings have been devised, to help assessment of risks. Risk falls into two main categories Strategic Risks and Operational Risks:

- **Strategic Risks** major events which could impact across whole of business. PESTLEC (Political, Economic, Social, Technological, Legal, Environmental, and Competitor) analysis is often used to identify these risks.

- **Operational Risks -** arise from day to day management and are unlikely to impact on the organisation as a whole.

6.2 The risks can then be sub divided into the following headings –

- **Financial** Reduction in budgets, threat to resources/assets
- **Operational** Threat, Risk and Harm reduction
- **Organisational** Strategic Alignment/RTC Completion/Delivery, IT
- **Legal** Regulation and Legislative changes, Modern Slavery Bill
- **Political** General election, manifesto pledges
- **Interdependencies** Reliance on police forces, Defra, IBM
- **Legacy Issues** Morecambe Bay, modern slavery
- **Opportunity** Income Generation, collaboration

6.3 The categorisation of risk should help ensure that all risks are fully covered by the risk register (and gaps in risk registers can be more easily identified). It can also be used to enable the organisation or board to focus on reviewing particular risk categories. As boards typically take different approaches to different categories of risk, the categorisation of risk helps with setting these risk appetite levels and for the organisation to know the parameters it should be working within.

Risk Prioritisation

6.4 In order to ensure that risk is managed at the appropriate level and board are able to focus on most significant risks should be prioritised using the following model.

	Risk Level	**Description**	**Accountability**	**Reporting**
1	Corporate	Risks if realised that would damage GLA as a going concern or remove its ability to perform regulatory role.	CEO	ARC
2	Organisational	Risks that if realised would prevent achievement of corporate objectives, performance or damage reputation.	CEO & Directors	ARC
3	Operational	Risks that would impact on operational delivery	Senior Managers	CEO/SLT (Annually to Board)

Date Reviewed :	June 2015 Risk Prioritisation Added as agreed at ARC
Policy Owner:	Head of Business and Finance on behalf of Audit and Risk Committee.
Review Period:	Annually (June 2016)