Overview of Risk Management Arrangements

Metropolitan Police Authority

INSIDE THIS REPORT

Introduction

Risk management helps provide a safer working environment and contributes towards improved governance and internal control. Sound risk management procedures can also help reduce the cost of insurance premiums.

The Audit Commission's Management Paper, 'Improving Risk Management in Local Government', sets out how authorities can develop their arrangements and provides a risk management implementation checklist containing key questions. Most of the contents are relevant to police authorities, although it is acknowledged that not all of the points raised will be relevant in every case.

The report considers issues that are important to the Met, due to the nature of its operational activity and the level of staffing expenditure, although it is recognised that there is a robust framework for Health and Safety procedures within the Met.

Risk management is the process of identifying significant risks to the achievement of an authority's strategic and operational objectives, evaluating their potential consequences and determining and implementing the most effective way of responding to, controlling and monitoring them. Because it is about achieving stated objectives, it is an essential part of any authority's corporate management arrangements.

The 'narrow' view of risk management, that it is concerned only with Health and Safety and insurance, has become out-dated, particularly as new styles of management and working are introduced. Also the need for achievement and accountability through to Best Value and corporate governance has become increasingly important. Some authorities have realised the opportunity through their governance and senior management arrangements to adopt a coherent and structured approach to achieving corporate objectives by managing business risks.

The risk management process is commonly shown as a cycle as illustrated in Exhibit 1. This is a useful framework, able to be implemented at both strategic and operational levels.

EXHIBIT 1

Risk management cycle
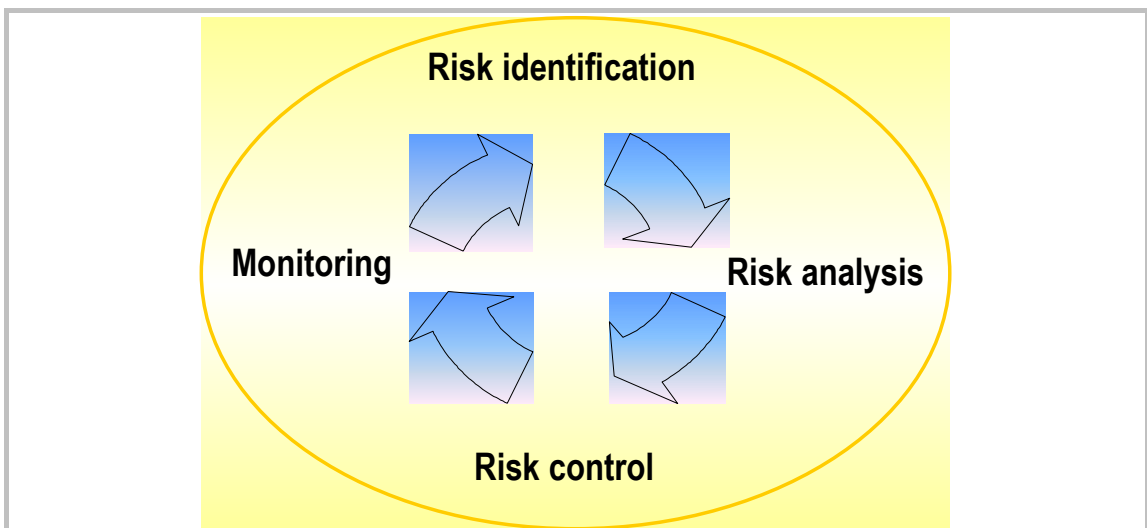
Background

The MPA inherited a financial regime where the costs arising from working level insurable and/or avoidable events are met entirely from the Authority's own resources. The successful efforts to stem the tide of third party claims are set against a background of a rising tendency to claim and rising claim costs. This situation also has adverse consequences for the reputation of the Metropolitan Police Service and its operational effectiveness. The Authority wishes to ensure that there is effective risk management throughout the MPS operations.

Willis were appointed by the MPA to carry out a strategic review of risk management within the MPA/MPS. This work was reported to the Finance, Planning and Best Value Committee in December 2001. A key recommendation from the Willis work was that the MPS needs to appoint a dedicated risk manager. The Willis review confirmed that there are substantial benefits to be derived from a systematic approach to risk management within the MPS. As a consequence of this work a dedicated Director of Risk Management was appointed by the MPS.

The Legislative and Regulatory Framework

The law requires police managers to record risk assessments and to review assessments from time to time. The requirement for the Met to carry out formal risk assessments derives mainly from the following statutory requirements:

- The Health and Safety at Work etc Act 1974
- The Management of Health and Safety at Work Regulations 1992
- The Control of Substances Hazardous to Health Regulations 1988
- Health and Safety (Display Screen Equipment) Regulations 1992
- Work Equipment Regulations 1992

In addition, there are guidelines from the Home Office which govern generic risk assessment and these cover most operational policing areas such as:

- searches in buildings
- officers on patrol
- firearms
- public disorder

Further guidance issued by the Health and Safety Executive in a leaflet '5 Steps to Risk Assessment' is also utilised.

Objectives

The aim of this overview was to:

- identify the strengths and weaknesses of the current approach to risk management within the MPS
- compare the MPS's approach and arrangements with that of others
- identify areas where there is scope to make improvements to the current arrangements, or where further audit work would be prudent.

Audit approach

Our approach comprised three strands:

- A comparative exercise drawn from the findings of a national survey (conducted jointly by the Audit Commission and the National Forum for Risk Management in the Public Sector [ALARM]). Information from the survey has been collated into a database, which contains other police and fire services/authorities' self assessment of their approach to risk management. Results from this survey are attached as appendix two.

- We also interviewed a number of senior officers and police staff from a variety of departments to ascertain how risk management was approached within these areas.

- The Audit Commission has devised a detailed good practice self assessment checklist to enable the Met to consider ways in which existing arrangements or written policies can be strengthened. This checklist is attached as appendix one.

This piece of work was held over for several months to allow the appointment of a dedicated risk manager to have some impact on the service.

Main conclusions

The MPS has appointed a dedicated Director of Risk Management and have developed a strategy and policy for risk management within the Service. Currently the Service is working towards implementation of this strategic approach to risk management.

Our overall conclusion is that the MPS has actively developed sound Health and Safety arrangements and is starting to operate within an overall formalised culture of risk management; for example major incident planning is now well documented and includes risk assessment and risk management as a requirement.

The MPS's response to the risk management survey was generally positive. The detailed response is attached as appendix two.

Current position

The MPS showed some strengths in its approach to the management of risk and its ability to be responsive to the need for change. There is still much to be done, as can be seen from the MPS's position when compared to other public sector bodies, who participated in the joint ALARM and Audit Commission survey. See appendix 2. We were satisfied that a great deal has been done towards making risk management a key corporate objective.

There is a common view amongst staff interviewed during this work that, the MPS has introduced a management process and discipline around risk management which previously had happened on an ad hoc and informal basis. We would support this and conclude that this new process is now improving the management of risk within the MPS.

The MPS has a clear vision of what it wants to achieve for risk management. This is demonstrated by the vision and aims outlined in the Corporate Risk Management Programme which was supported by the management board in 2003. There is still work required to formally implement the risk management strategy and to sustain a high level of activity in this area. An issue for the MPS is that when the next new initiate arrives, not to let risk management fall from the agenda and ensure that it becomes embedded in day to day practices.

A key issue identified during this and other work completed by the Audit Commission is that succession planning and business continuity continues to be a major risk for the MPS. There is a desire for some Senior Officers to complete a portfolio of roles and functions across the MPS. Whilst this is not a bad practice it can often lead to a relatively high level of turnover in senior posts which may reduce the effectiveness of theses positions.

The MPS has established a corporate risk profile, which has been accepted by the management board. They are now introducing processes to manage the associated risks. This needs to be supported by the establishing a formal process for reporting risk management within the MPA.

There is an established group within the MPS which is designed to review and manage upcoming reputation risks to the organisation. This group comprises key stakeholders within the business. This group is chaired by DAC DPS and ACPO/Senior Police Staff from business groups are represented.

During this work we have identified a number of examples of robust risk management within the MPS:

- The introduction of a training course and guide to the management of critical incidents. This was a result of the McPherson Review and has improved the management of critical incidents and the skills of those officers involved. However during this work we have identified some barriers to learning from the management of critical incidents. There is little learning from success or a near miss, the MPS tends to only undertakes a post review where there has been an identified failing. As a result the MPS is at risk of not learning from their success.

- When completing the assessment for a new structure to Operation Trident a formal risk assessment model was used to highlight issues and risks for proposed scenarios. Evidence from our work indicates that by using this process the MPS was able to address the possible issues and associated risks and ultimately improve the process.

- Management and planning of all major events now have a dedicated risk assessment officer, who has extensive public order experience. This inclusion as part of the whole planning process is improving the overall management of public order events and ultimately reducing the risk to the MPS. CO11 are moving towards making the risk assessment and management the key component running right through the event planning process. This is supported by plans to train all public order planners, instructors and supervisors in risk assessment process and methods.

- The media influence is now well ingrained in most officers when planning operations. As part of the regular planning process media representatives are included in the process and a dedicated media spokesperson will be identified for the duration of the incident. There is a well developed method for assessing public perceptions of the MPS which is completed on a monthly basis and allows the MPS to evaluate the public perception which can be linked to specific incidents.

The way forward

The MPS have appointed a Director of Risk Management and are updating their strategy and policy for the management of risk within the service. The development of a formal risk management policy and strategy is the next step in developing a comprehensive risk management process. This new approach is still at an early stage and as such it has been agreed with the MPS that no further audit work will be completed at this stage. It is recommended that Audit Commission return in twelve months to assess the progress made by the MPS in implementing this updated approach to risk management.

Status of our reports to the Authority

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to Members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third party.

Risk Management Good Practice Check List

Effective Management

Key questions	Good practice
1 Is risk management seen as a key priority at: • Member level? • Chief Officer level?	Supportive statements issued by members and chief officers and widely distributed. Clear reference to risk management in corporate planning documents. Risk manager has impact in a facilitation role at the authority. RM policy reinforces the top down and bottom up approach.
2 Does your authority include RM in the business planning process?	As part of the culture change agenda some authorities use risk based SWOT analysis, EFQM and UC's as part of the business planning process.
3 Has a risk management training programme been prepared and is it being delivered?	Risk management highlighted in induction packs and training. Training portfolio and plan for risk management in place.
4 Does your authority use the risk management principles in its decision making arrangements?	Good practice suggests the principles are used in the following activities: • resource allocation • project management • procurement • Best Value reviews • asset management.
5 Does the authority have clear lines of accountability for risk management throughout the organisation?	Accountability arrangements charts and explicit references to risk management roles in certain job descriptions. Some authorities have included Risk Management responsibilities in divisional management structures and introduced regular meetings with at risk directors.
6 Is there RM champions at member level and on the Corporate Management Team?	In place to support the Risk Manager's role and to facilitate effective implementation of the Risk Management agenda.

Strategies & Structures

Key questions	Good practice
1 Is the authority active in terms of sharing information, networking and contributing to ALARM and other RM related groups initiatives?	Active membership of ALARM and other risk/insurance groups supported by positive contribution to surveys, conferences and other initiatives.
2 Is there a written policy and strategy for managing risk?	In place.
3 Is the strategy comprehensive without being overburdening?	Covers at least the areas listed on P26 of this guide.
4 Is the strategy reviewed and updated systematically?	Clear reporting lines on risk management activities up to members who are regularly reported to.
5 Has the strategy been endorsed at political and management team level?	Clear statements of intent issued by senior politician and Chief Executive.
6 Is there an officer who is responsible for moving the risk agenda forward?	Designated officer to initiate a risk management culture and facilitate strategic implementation across the authority.
7 Are there any risk panels or forums to ensure, for example, co-ordination and appropriate experience sharing?	Risk panel needs to be at a sufficient and influential level to enable access to senior officers and members.
8 Are operational managers aware of their responsibilities in relation to risk management?	Role and responsibilities for all tiers written down and included as personal targets.
9 Do managers and above have personal targets in relation to risk management?	Clear personal targets relating to successful implementation of the risk management process integrated into performance appraisal and development forms.
10 Is the risk management function included in the Best Value Review Programme?	Appropriate consultation has been given to the risk management arrangements in establishing the BV review programme.

Identification & Evaluation

Key questions	Good practice
1　Are there systematic routines for identifying risks?	Approach referred to in strategy, written down and understood by managers. Risk identification tools and techniques in place to identify hazards and risks factors.
2　Does the authority apply consistent risk evaluation standards across all services?	The risk appetite may vary between services, therefore good practice suggests having set risk evaluation standards.
3　Does the authority have an incident reporting arrangement?	Arrangement in place that is understood by all staff, used and feeds into risk management process.
4　Are experiences (internal/external) used in identifying risks?	Experiences are well recorded and clearly cross-referenced to risk identification task. The sources of information include: • on site inspections • interviews • forums • consultants • environmental/strategic issues • financial documents.
5　Are group sessions used to determine high risk areas and evaluate their impact?	Scheduled/regular meetings of key staff facilitated by risk manager/other specialist.
6　Has the likelihood and severity of all main risks been clearly established?	Likelihood and severity are scored and the implications to the authority in terms of potential costs and disruption have been highlighted.
7　Is there an up to date, authority wide record or profile of risk and its effect?	Detailed widely owned profile that is regularly updated and leads to action. The profile needs to link the environmental/strategic source to hazard/risk factor and the probability of exposure.

Controlling Risk

Key questions	Good practice
1　Has some form of cost benefit analysis been used in determining required control action?	There is evidence that costs and benefits have been identified and assessed.
2　Has each risk identified as requiring action been addressed?	Action Plan compiled and is clearly/simply linked to risk register profile.
3　Has an action plan been produced and communicated to relevant staff and all managers.	Clear reporting framework and action plan is a periodic standing item on management team agendas.
4　Are there any incentives for managers to reduce the likelihood and impact of risk?	Insurance costs and making good losses charge to manager's budget.
5　Is there a strategy for raising awareness and is there evidence of effective implementation.	Newsletters, workshops and other communications.
6　Are the basic controls in relation to fire, security, assets, IT and health and safety written down and clearly assigned to individuals for compliance purposes?	A separate guide/protocol developed for all major risk areas that are frequently updated and widely distributed.

Monitoring Risk

	Key questions	Good practice
1	Is there a widely understood arrangement for measuring the effectiveness of the risk management process?	Regular reviews of risk register and reporting to members. Use of PIs to drive continuous improvement.
2	Are risk management action plans compiled with set responsibilities and target completion dates?	Ongoing action plan monitored and updated.
3	Are insurance premiums and self – insurance fund provisions reducing?	Effective monitoring reduces losses and working closely with insurance companies over a long time, circa 5 years, can generate reductions in insurance costs (premiums are usually a small percentage of related costs).
4	Is there evidence of corporate monitoring of the risk management action plan?	As least annual review of plan by chief officer management team.
5	Is there evidence that the effects of compliance controls are being assessed?	Review by IA and self review by Risk Management group.
6	Are findings from monitoring arrangements fed back into the management cycle?	Effective reporting line arrangements to ensure certain risks are fed back into the risk management cycle.

Emerging Business Risk

	Key questions	Good practice
	Reputational Risk	
1	How does the authority identify and address the reputational risks facing it?	Risk identification processes at management team level including input from PR events and key stakeholders. Risks are analysed in terms of potential reputational impact and plans are in place in the event of any damage to the authority.
2	Are all staff made aware of the risk of reputational damage?	Issue covered by induction training and reminders via newsletters etc.
3	Does the authority have the following proactive measures in place:	
	• is there a media strategy in place for potential reputational risks?	Strategy in place and regularly reviewed. Elements of the strategy may include: • be seen to be doing your best • clear internal and external information flows • respond quickly • call in outside expertise asap • identify and brief spokesperson • agree the message • tell the truth and maintain integrity • maintain open communication channels.
	• is there a delegated officer with responsibility to identify reputational risks? (ie PR/corporate communications.)	Officer in place who is known across the authority.
	• does the delegated officer have the necessary status to advise everyone in the authority about the potential damage factors.	Direct report to Chief Executive.

Key questions	Good practice
4 Does your authority have the following reactive measures:	
• is there a media strategy for informing the media in a managed way?	Strategy in place and regularly reviewed.
• is action prompt in terms of dealing with issues.	Clarity and up to date arrangements in terms of responsibility for action.
Corporate manslaughter	
Has the authority considered the implications of the Law Commission's proposals of: • local authorities being capable of corporate killing • officers being capable of reckless killing and killing by gross negligence?	Authority has considered the future implications and action plans are being developed to address highlighted weak areas.
Does the authority's insurance policy cover the cost of defence for corporate and/or individuals charged with corporate manslaughter arising from officers' conduct?	Insurance cover reviewed and appropriate action taken.
Are plans in place to provide fast and effective legal representation for the authority and/or individuals facing manslaughter charges?	Protocol developed to assist authority and individual officers.

Metropolitan Police survey responses

INDICATOR	SURVEY QUESTION	Survey Response - Metropolitan Police Service			
Q2	Please indicate your authority category:	Police & Fire			

			Survey response - All Authorities 102 Responses		
Corporate Governance			**Yes**	**No**	**NA**
Q3	Has your authority carried out a self - assessment of corporate governance in line with CIPFA/ SOLACE "A keystone for community Governance framework"?	No	71%	28%	1%

			Overall Weak	+ Weaknesses than Strengths	+ Strengths than weaknesses	Overall Strong
Q4	If so what was your overall assessment of your compliance with the risk management and internal control element?	Not answered	6%	15%	47%	5%

Corporate Framework			**Yes**	**No**	**NA**
Q5.1	Is risk management clearly part of the overall arrangements for achieving corporate objectives?	No	78%	22%	0%
Q5.2	Is upside risk taking and innovation considered as part of your risk management arrangements?	No	58%	42%	0%
Q5.3	Is there a formal process for advising elected Members of risk management implications of decisions?	No	55%	44%	1%
Q5.4	Is there a risk management implication section on committee/ cabinet papers?	No	29%	71%	0%
Q5.5	Are significant risks formally considered under delegated decision making arrangements?	No	55%	45%	0%
Q5.6	Does the authority formally record risk management considerations in business/service plans?	No	55%	44%	1%
Risk Managament Arrangements			**Yes**	**No**	**NA**
Q6.1	Has the authority produced a formal written strategy for managing risk?	No	81%	18%	1%
Q6.2	Has the authority allocated responsibilities for Corporate/Business Risk Mgt. to named individual/s*	No	86%	13%	1%
Identifying, evaluating, controlling and monitoring risk					
Q7	Which of the following risk categorisations are used in identifying		**Yes**	**No**	**NA**
Q7.1	………………………………………………..Strategic	Yes	91%	8%	1%
Q7.2	………………………………………………..Operational	Yes	90%	8%	2%
Q7.3	………………………………………………..Financial	Yes	91%	6%	3%
Q7.4	……………………………………….Legal/ compliance	Yes	90%	7%	3%
Q7.5	…………………………………………………..Knowledge	Yes	58%	34%	8%
Q7.6	……………………………………Health and safety related	Yes	88%	10%	2%
Q7.7	………………………………Asset/ infrastructure related	Yes	78%	19%	3%
Q7.8	…………………………………………Other, please specify	0			
Q8	Has an authority wide risk profile been produced ?	No	**Yes**	**No**	**NA**
			53%	47%	0%
Q9	If yes does it include the following :		**Yes**	**No**	**NA**
Q9.1	………………………………………....Links to corporate objectives	Not answered	47%	0%	53%
Q9.2	…………………………………………Links to Busines Planning	Not answered	39%	0%	61%
Q9.3	…………………………………....Consideration of consequences	Not answered	35%	0%	65%
Q9.3.1	………………………….Upside risks	Not answered	29%	0%	71%
Q9.3.2	………………………….Downside risks	Not answered	38%	0%	62%
Q9.4	…………………………...Links to relevant Performance Indicators	Not answered	28%	0%	72%
Q9.5	…………………………...Links to budgets and resource allocations	Not answered	32%	0%	68%
Q9.6	….…..Assessment of existing preventative and reactive controls	Not answered	42%	0%	58%
Q9.7	Assessment of additional controls required	Not answered	40%	0%	60%
Q9.8	……………………...Evidence of regular review and monitoring	Not answered	39%	0%	61%
Q9.9	………..Links to internal and external audit plan identified risks	Not answered	39%	0%	61%
			Yes	**No**	**NA**
Q10	Has an action plan for implementing controls been developed	No	49%	45%	5%
Q11	If yes does it inclue the following :		**Yes**	**No**	**NA**
Q11.1	………………………Action required set to a specific timescale	Not answered	47%	8%	44%
Q11.2	…………………………………Responsibilities of specific staff	Not answered	53%	3%	44%
Q11.3	……………………………………………Resources required	Not answered	23%	33%	44%
Q12	Does the authority monitor the effectiveness of its risk management arrangements	No	**Yes**	**No**	**NA**
			66%	32%	2%
Q13	Which of the following tools do you use to monitor risks : Indicate all that apply		**Yes**	**No**	**NA**
Q13.1	…………………………...Performance Management Framework	Yes	60%	35%	5%
Q13.2	…………………………...National BV Performance Indicators	Yes	62%	29%	9%
Q13.3	……………………………...Local Performance Indicators	Yes	68%	25%	7%
Q13.4	……………………………...Regular review of internal controls	No	93%	6%	1%