JOINT INDEPENDENT AUDIT COMMITTEE
3 SEPTEMBER 2014

SUBJECT	**PCC RISK REGISTER**
REPORT BY	**CHIEF EXECUTIVE & CHIEF FINANCE OFFICER**
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SUMMARY AND PURPOSE OF REPORT To consider the Police and Crime Commissioner's latest Risk Register.	
RECOMMENDATION	*That the Committee note the PCC's Risk Register and revised risk appetite.*

A. SUPPORTING INFORMATION

1. PCC's Risk Register

1.1 The top strategic risks that would prevent or distract the Commissioner from achieving his goals are recorded in the PCC Risk Register. The risks have been identified based on the PCC's objectives that are stated in the Police and Crime Plan 2013 – 17. They also link to the Office of the PCC's (OPCC) Operational Delivery Monitoring Plan.

1.2 The PCC's Chief Finance Officer and Research and Performance Officer attend the Force's Confidential Risk Management Board and Force Risk Management Board respectively. This ensures that the Force's register and the PCC's register are aligned where appropriate.

1.3 The Force Risk Management Board takes place on a quarterly basis and is attended by business area 'single points of contact' from the Force and G4S as appropriate, including the Force Chief Finance Officer. The Confidential Risk Management Board is chaired by the Deputy Chief Constable and is attended by personnel as required.

Risk Appetite

1.4 The PCC's risk appetite was reviewed in August 2014.

1.5 Risk appetite is described as 'an organisation's unique attitude towards risk taking, which in turn dictates the amount of risk it considers acceptable'[1]. KPMG refers to risk appetite as 'the total impact of risk an organisation is prepared to accept in pursuit of its strategic objectives'.[2]

1.6 If an organisation's risk appetite is set incorrectly, it could result in an inappropriate risk response and mitigating actions being taken.

[1] Office of Government Commerce, Management of Risk: Guidance for Practitioners
[2] KPMG, Understanding and articulating risk appetite (Advisory)

1.7 The Commissioner recognises that the levels of risk that he may be prepared to take is dependent on a number of factors including the nature of the risk concerned; capacity to control a particular risk, prior exposure to risk and the amount of risk that is currently being controlled.

1.8 It is good practice to review an organisation's risk appetite on a regular basis. It is suggested that the PCC's risk appetite is updated to better reflect the current context that the organisation is working within. Over the last couple of years, the PCC has been exposed to higher risk situations such as the strategic partnership with G4S and more recently, involvement with the Home Office's Innovation Fund. Also, due to the challenging financial landscape, the PCC acknowledges the need to take on more risks in some areas but not in others. For example, the PCC's willingness to accept risk in relation to innovation may be higher than in matters relating to public confidence (e.g. regulatory compliance) which will be low.

1.9 The PCC's updated risk appetite means that the risk threshold changes from the line indicated in Figure 1 to the revised version in Figure 2. The risks scored at Red 12 and Red 16 will be considered 'critical' and will be mitigated and managed through controls and developing controls as high priority. These risks will be monitored on a frequent basis through the monthly Internal Management Meetings; Figure 2 also articulates the level of controls and ownership that are to be applied. The risks assessed as Amber 9 and below can be tolerated if the correct levels of controls have been applied.

Figure 1 Risk Appetite

		Impact			
Likelihood		**Low 1**	**Medium 2**	**High 3**	**Very High 4**
Very High	**4**	**AMBER 4**	**RED 8**	**RED 12**	**RED 16**
High	**3**	**GREEN 3**	**AMBER 6**	**RED 9**	**RED 12**
Medium	**2**	**GREEN 2**	**AMBER 4**	**AMBER 6**	**RED 8**
Low	**1**	**GREEN 1**	**GREEN 2**	**GREEN 3**	**AMBER 4**

PCC's 'Risk Appetite' indicated with a thick black line

Figure 2 Risk Appetite and Control

		Impact			
Likelihood		**Low 1**	**Medium 2**	**High 3**	**Very High 4**
Very High	**4**	**AMBER 4** Cost effective controls Regular monitoring and reporting Sporadic action and contingency plans not essential	**AMBER 8** Cost effective controls Regular monitoring and reporting Necessary action and outline contingency plans	**RED 12** Comprehensive controls Frequent monitoring and reporting Immediate action and contingency plans	**RED 16** Comprehensive controls Frequent monitoring and reporting Immediate action and contingency plans
High	**3**	**GREEN 3** Cost effective controls Regular monitoring and reporting Sporadic action and contingency plans not essential	**AMBER 6** Cost effective controls Regular monitoring and reporting Sporadic action and contingency plans not essential	**AMBER 9** Cost effective controls Regular monitoring and reporting Necessary action and outline contingency plans	**RED 12** Comprehensive controls Frequent monitoring and reporting Immediate action and contingency plans
Medium	**2**	**GREEN 2** Low cost controls Occasional monitoring and reporting Sporadic action and contingency plans not essential	**AMBER 4** Cost effective controls Regular monitoring and reporting Sporadic action and contingency plans not essential	**AMBER 6** Cost effective controls Regular monitoring and reporting Sporadic action and contingency plans not essential	**AMBER 8** Cost effective controls Regular monitoring and reporting Necessary action and outline contingency plans
Low	**1**	**GREEN 1** Low cost controls Occasional monitoring and reporting Sporadic action and contingency plans not essential	**GREEN 2** Low cost controls Occasional monitoring and reporting Sporadic action and contingency plans not essential	**GREEN 3** Cost effective controls Regular monitoring and reporting Sporadic action and contingency plans not essential	**AMBER 4** Cost effective controls Regular monitoring and reporting Sporadic action and contingency plans not essential

PCC's 'Risk Appetite' indicated with a thick black line

1.11 The revised risk appetite has been applied to the attached Risk Register (Appendix 1). Updates are provided in bold type.

1.12 The PCC's risk register currently records 5 critical risks (those scored at RED 12 and above) and 9 non critical risks (those scored AMBER 9 and below).

B. FINANCIAL CONSIDERATIONS

There are resource implications related to some of the mitigating controls. These are managed by the Chief Executive and the Chief Finance Officer.

C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS

Any relevant legal and human rights related risks are included in the PCC's risk register.

D. PERSONNEL, EQUAL OPPORTUNITIES AND DIVERSITY ISSUES

(including any impact or issues relating to Children and Young People.)

Any relevant personnel, equal opportunities and diversity related risks are included in the PCC's risk register.

E. REVIEW ARRANGEMENTS

The Risk Register is reviewed by the Joint Committee on a quarterly basis. The Risk Management Strategy will be reviewed on an annual basis and provide linkages to the Annual Governance Statement.

F. RISK MANAGEMENT

Risk governance is an integral part of the Joint Independent Audit Committee's remit. It is reflected on the Forward Plan accordingly.

G. PUBLIC ACCESS TO INFORMATION

Information in this report along with any supporting material is subject to the Freedom of Information Act 2000 and other legislation.