Comptroller and Auditor General

Risk Management

07 September 2017

JERSEY AUDIT OFFICE

R.107/2017

Risk Management

Introduction

1.1 All organisations face risks to delivery of their objectives. Processes to identify, assess, prioritise and manage risk are fundamentally important in achieving organisational goals. But those processes will not and cannot be expected to eliminate risk. Corporate risk management processes focus on reducing, mitigating or otherwise managing the uncertainties faced in delivering strategic and key operational objectives, taking into account the extent to which an organisation tolerates risk.

1.2 Effective risk management includes processes at both corporate and departmental levels and is of increased importance in a period of change. The States are reforming the way in which services are delivered, for example through the adoption of eGovernment (eGov). Individual departments are planning significant change in the way they provide services. For example, the Health and Social Services Department is implementing the White Paper 'Caring for each other, caring for ourselves' and the Department of Infrastructure is changing its service delivery model.

1.3 The States used the services of Marsh Risk Consulting (Marsh), a global insurance broker and risk management firm, to provide initial support in developing its Enterprise Risk Management (ERM)[1] framework. Subsequently the Chief Executive asked the Chief of Police to assume leadership of risk management for the Corporate Management Board (CMB).

Objectives and scope

1.4 The review considers:

- the effectiveness of corporate arrangements for managing risk. This includes arrangements for escalation of risks from departments and other bodies where their accounts are consolidated in the financial statements of the States;
- the effectiveness and embeddedness of arrangements for risk management within departments; and
- areas where improvements can be made including the scope for achieving efficiencies.

1.5 The review does not include risk management relating to:

- Strategic investments, the results of which are excluded from the States' accounts (Jersey Telecom, Jersey Post, Jersey Water and Jersey Electricity). However, corporate entities whose financial performance is included within the financial statements of the States (Andium Homes, Ports of Jersey and the States of Jersey Development Company) fall within the scope of this review; and

[1] The States defined ERM as: the culture, organisational structure and ongoing process of managing the risks to the provision of services or development of our economy.

- the States' pension funds (Public Employees' Pension Fund (PEPF) and Jersey Teachers' Superannuation Fund (JTSF)).

1.6 The review does not extend to evaluating:

- the work undertaken by Marsh;
- the management and mitigation of investment risk (for example those relating to the Strategic Reserve and the Social Security (Reserve) Fund); and
- the detailed arrangements for the use of insurance, including self-insurance, to mitigate risk.

Background

1.7 In 2014, the States commissioned Marsh Risk Consulting (Marsh) to carry out an independent review of risk management. The objectives of this review included:

- providing CMB with a formal and demonstrable approach to managing risk;
- identifying and analysing the States' top risks; and
- supporting knowledge transfer.

1.8 The output from the review provided the following five key observations on risk management in the States at the time:

1. Some evidence of best practice in departments. However, limited alignment of risk management activities was evident and processes were inconsistent within departments.
2. Existing processes did not fit within a formalised risk management framework.
3. The corporate risk appetite had not been defined.
4. As no formal corporate risk management roles had been established, stakeholder responsibilities for risk management had been informally established within most departments.
5. Corporate ownership for risk management was uncertain.

1.9 The Marsh report applied a maturity model to the States' risk management arrangements and identified substantial scope for improvement (see Exhibit 1). Management responded by instituting a programme of work designed to improve risk management across the States.

Exhibit 1: Risk management maturity status - October 2014

	Undeveloped	Formalised	Established	Embedded	Optimised
Governance and infrastructure	X				
Identification, Assessment and Prioritisation		X			
Risk Treatment and Controls		X			
Reporting, Monitoring and Communications	X				
Enterprise Risk Management Culture		X			
Working with Counterparties		X			

Source: Report by Marsh to States of Jersey, 2014

1.10 Over the last two years I have also reported weaknesses in risk management across the States (see Exhibit 2).

Exhibit 2: Examples where concerns about risk management arrangements have been noted in previous reports

Review	Concern
Arm's Length Organisations (ALOs) July 2017	The States had not established overarching principles to drive governance arrangements for ALOs. The mechanisms by which ALOs are held to account for performance was not prescribed. There was therefore an increased unmitigated risk that organisations are funded where their work or mechanisms for service delivery no longer best promoted the States' objectives.
Jersey Innovation Fund January 2017	There was an underdeveloped approach to risk management: • Treasury and Resources was not sufficiently and actively involved from the outset of the project in establishing robust arrangements to mitigate risks; • the overall risk appetite was not clearly articulated in the Terms of Reference; • there was no risk register for the Fund as a whole; and

Review	Concern
	• the assessment of risk in the risk registers for individual projects was at times unrealistic and not an effective tool of management.
Follow-up of the review of Private Patient Income February 2017	The Health and Social Services Department (HSSD) could not demonstrate, or be confident, that risks identified in my initial report had been adequately responded to. For example, in developing a new Policy on Private Patients, HSSD had not established a monitoring process to ensure the Policy mitigated identified risks as intended.
Use of Consultants October 2016	In the sample of consultancy projects reviewed, only 60% included a project management framework setting out responsibilities and accountabilities, how risks would be managed and arrangements for dealing with operational issues.
Management Information in Education September 2016	The Education Department had not established criteria for routine and exception reporting of performance and risk or mechanisms for reporting to CMB as appropriate. Arrangements for collation and communication of management information were underdeveloped. A template to show strategic progress against Business Plan objectives, bringing together an evaluation of progress against objectives and an assessment of risk to delivery, lacked hard data.
eGovernment May 2016	Weaknesses in the operation of the risk log indicated a lack of active management of eGov risks. For example: • there was insufficient evidence to demonstrate why some risks had been 'closed'; and • thresholds within which to 'tolerate' risks had not been set out. The absence of an agreed eGov strategy and objectives meant that decisions to fund individual projects were taken on an ad hoc basis. As a result, the States could not demonstrate how funded project activity reduced the risk to delivery of the programme as a whole.
Information Security June 2015	In the context of new threats to data and information when held in digital format, the States had not yet: • completed detailed corporate and departmental information security risk assessments against international standards; or • ensured the availability of adequate qualified security resources to assess and address security risks, including those arising from the eGov programme.

Approach

1.11 This review assesses the States' risk management arrangements three years after the Marsh report. In addressing the objectives, I have considered the components that typically demonstrate effective and mature risk management in four areas (see Exhibit 3).

Exhibit 3: Elements of effective risk management

1.12 In undertaking my review, I focussed on a number of corporate areas and a sample of departments (see Exhibit 4).

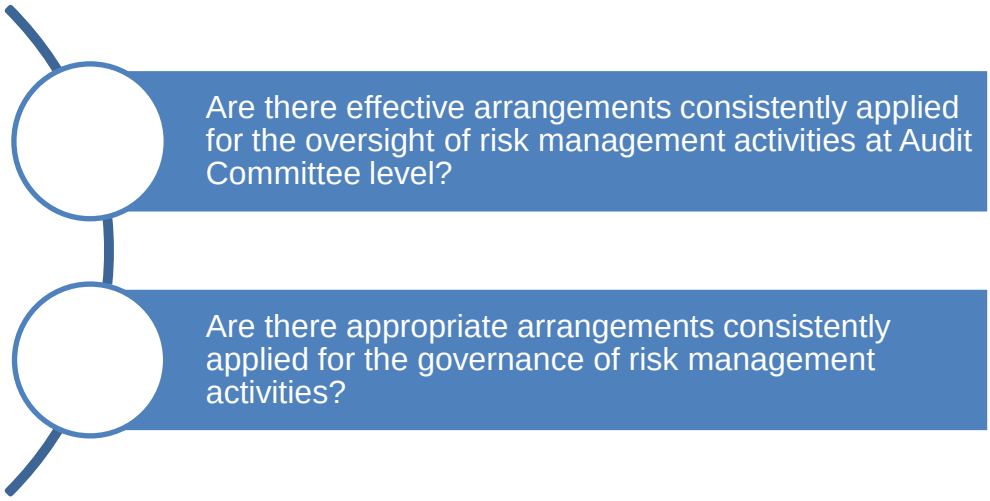
Exhibit 4: Areas of focus for my review

Corporate areas	Departments
• Corporate Risk Register • Community Risk Register • Business Continuity Management	• Health and Social Services Department • Community and Constitutional Affairs • Education Department • Treasury and Resources • Social Security Department • Department for Economic Development, Tourism, Sport and Culture • Department of the Environment • Chief Minister's Department, including Information Services Department (ISD) • Probation and Aftercare Service (Non-Ministerial Department)

Oversight and governance

2.1 The best performing organisations have strong arrangements for the oversight and governance of risk management activities. My work focusses on these areas (see Exhibit 5).

Exhibit 5: Oversight and governance: areas of focus



Are there effective arrangements consistently applied for the oversight of risk management activities at Audit Committee level?

2.2 In high performing organisations Audit Committees or similar bodies provide a valuable oversight of risk management activities with responsibilities appropriately reflected in their terms of reference and a clear programme of work to discharge their responsibilities. In many cases this important remit is reflected through the adoption of the title 'Audit and Risk Committee'.

2.3 The States' Audit Committee has specific responsibilities for:

- reviewing and challenging the States' risk management policies and procedures to ensure that they reflect best practice tailored to Jersey and to receive assurance that they are embedded across the States; and
- reviewing the Corporate Risk Register at least annually and when significant changes and concerns arise, considering whether risks have been properly addressed.

2.4 The Committee also has the power to request the attendance of relevant officers to provide presentations on corporate risks for which they are responsible, such as those relating to Information Technology (IT), major capital projects and human resources matters.

2.5 In my view these terms of reference are appropriate, focussing on overall arrangements for risk management and the management and mitigation of corporate risks. To establish how the Audit Committee has discharged its responsibilities, I have reviewed work undertaken over a 12-month period (see Exhibit 6).

Exhibit 6: work of the Audit Committee on risk management July 2016 - June 2017

Role	Work undertaken
Review and challenge of risk management policies and procedures	One short presentation on States of Jersey risk management framework bringing the Committee up to date on developments in implementing new framework.
Review of the Corporate Risk Register	Three reviews of the Corporate Risk Register and three presentations on specific departmental risks in the Corporate Risk Register.
Presentations on corporate risks	Six presentations on corporate risks covering Public Sector Reform, information security, eGov and procurement.

2.6 The increasing focus of the Audit Committee on risk is welcome. However, although the Audit Committee has undertaken a significant volume of work related to risk:

- the work on review and challenge of risk management policies and procedures has been limited. It has not extended to evaluating whether they reflect best practice or whether they are embedded; and
- when it receives reports on specific risk areas, those reports do not clearly analyse and recommend a consideration of the risk and mitigation recorded in the Corporate Risk Register. As a result, it is harder for the Committee to demonstrate that it has evaluated the effectiveness of the management of those risks as required by its Terms of Reference.

Recommendation

R1 Strengthen the mechanisms by which the Audit Committee discharges its responsibilities for risk management, including by:

- increasing the review and challenge of the design and operation of risk management polices and procedures; and
- directly linking the review of specific risk areas to the contents of the Corporate Risk Register.

Are there appropriate arrangements consistently applied for the governance of risk management activities?

2.7 Effective risk management at corporate level requires clear allocation of responsibilities with established reporting lines between groups, consistently applied.

2.8 At corporate level the States allocate responsibilities for risk management to three groups (see Exhibit 7).

Exhibit 7: Corporate responsibilities for risk management

Group	Key responsibilities
Corporate Management Board (CMB)	Ensuring there are effective corporate governance arrangements in place across departments, including risk management.
CMB Risk Management Sub-Group	Advising CMB on adequacy and effectiveness of risk management arrangements. Championing risk management. Agreeing strategic framework for risk, control and governance supporting the Corporate Statement on Internal Control. Reporting quarterly to CMB on compliance with the risk management framework. Feeding back to CMB on risk management activities across the States. Advising departments on the risk process. Reviewing internal and external audit and other reports to inform improvement in the risk management framework. Promoting awareness of risk management through training. Reporting significant issues to CMB. Providing an Annual Report to CMB, including a statement on the adequacy of arrangements for the management of risk. Reviewing areas of risk escalated when requested to do so. Reviewing areas of risk referred by CMB. Establishing and maintaining an Assurance Framework for the States.
Departmental Risk Management Group (DRMG)	Sharing best practice on risk management. Sharing risk information. Developing a consistent risk register for use across departments. Developing consistent risk assessment criteria and scoring method. Escalating risks to CMB and the CMB Risk Management Sub-Group. Disseminating corporate risks to departmental risk registers. Horizon-scanning. Supporting implementation of Business Continuity Management (BCM) improvement programme. Identifying training requirements and BCM document storage and management. Facilitating development of a cohesive BCM programme.

2.9 Although the emphasis on corporate and departmental risk management is welcome, there is scope for improving the Terms of Reference:

- the responsibilities of CMB have not been updated to reflect the establishment of the CMB Risk Management Sub-Group;
- the responsibilities of the CMB Risk Management Sub-Group are very wide-ranging and in areas confusing or ambiguous. It is not clear in what areas the Sub-Group is responsible for advising CMB and in what areas it has delegated power to act. There are many duties placed on the Sub-Group to review without being clear as to the outcome of the review. The Sub-Group is given responsibilities for establishing an assurance framework in apparent isolation from wider assurance frameworks relating to internal control; and
- the responsibilities of DRMG are operational but there are ambiguities about its role. In particular, in relation to escalation of issues, there is reference to both CMB and the CMB Risk Management Sub-Group but no reference to the duties of individual Accounting Officers. There is no clear statement on what the Group is expected to report routinely to either CMB or the CMB Risk Management Sub-Group.

2.10 I make further comments on the Terms of Reference for the CMB Risk Management Sub-Group and DRMG later in this report.

2.11 I have reviewed relevant minutes to consider how the three groups discharged their responsibilities in practice. My analysis shows that compliance with their Terms of Reference has varied substantially between the different groups:

- the minutes record that CMB explicitly considered risk management six times in the period January 2015 to February 2017, a period that covered the development and roll-out of new arrangements for risk management. In addition to the Chief of Police, another representative of the CMB Risk Management Sub-Group usually attended CMB when it considered risk management. The minutes reflect an increasing focus on the content of the Corporate Risk Register. Although they record some limited consideration of wider aspects of risk management, they do not show an explicit focus on the effectiveness of arrangements across departments;
- the minutes of the CMB Risk Management Sub-Group reflect concentration on the development and maintenance of the Corporate Risk Register. From my review of the minutes I did not identify explicit consideration of many of the wider responsibilities of the Sub-Group. It did not prepare the required report to CMB on the adequacy of arrangements for the management of risk (see Exhibit 8); and
- the minutes of DRMG demonstrate that it discharged the responsibilities assigned to it (see Exhibit 9).

Exhibit 8: Work of the CMB Risk Management Sub-Group January 2015 - February 2017

Responsibility	The Minutes record
Advising CMB on adequacy and effectiveness of risk management arrangements	Focus on Corporate Risk Register rather than wider elements of risk management.
Championing risk management	No specific reference in minutes, including no reference to work of DRMG.
Agreeing strategic framework for risk, control and governance supporting the Corporate Statement on Internal Control	Limited consideration of Financial Direction and assignment of responsibility for risks.
Reporting quarterly to CMB on compliance with the risk management framework	Reporting focussed on contents of risk register rather than compliance with risk management framework.
Feeding back to CMB on risk management activities across the States	Reporting focussed on contents of risk register rather than wider risk management developments and activities.
Advising departments on the risk process	No indication of consideration of this responsibility in the minutes.
Reviewing internal and external audit and other reports to inform improvement in the risk management framework	No indication of consideration of internal audit, external audit or other relevant reports in minutes.
Promoting awareness of risk management through training	No specific consideration of awareness raising in the minutes.
Reporting significant issues to CMB	Focus on reporting of Corporate Risk Register.
Providing an Annual Report to CMB, including a statement on the adequacy of arrangements for the management of risk	No Annual Report prepared.
Reviewing areas of risk escalated when requested to do so	Focus on review of Corporate Risk Register with some examples of risk escalation from departmental risk registers.
Reviewing areas of risk referred by CMB	No evident referrals from CMB.
Establishing and maintaining an Assurance Framework for the States	No specific evidence of consideration of overall framework evident from the minutes.

Exhibit 9: Work of DRMG December 2015 - May 2017

Responsibility	The Minutes record
Sharing best practice on risk management	A number of wide ranging discussions and a focus on identifying and sharing of good practice.
Sharing risk information	Development of risk management Guidance and specific consideration of mechanisms for sharing information.
Developing a consistent risk register for use across departments	Register developed and reflected in draft Guidance yet to be rolled out.
Developing consistent risk assessment criteria and scoring method	Risk assessment criteria and scoring mechanism developed and reflected in draft Guidance yet to be rolled out.
Escalating risks to CMB and the CMB Risk Management Sub-Group	Some evidence of escalation of risks to the CMB Risk Management Sub-Group with a recommendation that they were placed on the Corporate Risk Register.
Disseminating corporate risks to departmental risk registers	Dissemination of corporate risks to departments through group members.
Horizon-scanning	Regular discussion of new and emerging risks that could affect departments.
Supporting implementation of Business Continuity Management (BCM) improvement programme	Regular discussions held, increasing focus as risk management and BCM brought together in DRGM.
Identifying training requirements and BCM document storage and management	Regular discussions about training held and opportunities for using Sharepoint as common storage area.
Facilitating development of a cohesive BCM programme	Consideration of Community Risk Register and establishment of working group.

2.12 I understand that a review of the Terms of Reference of the various groups involved in risk management is due to begin in the Autumn.

Recommendation

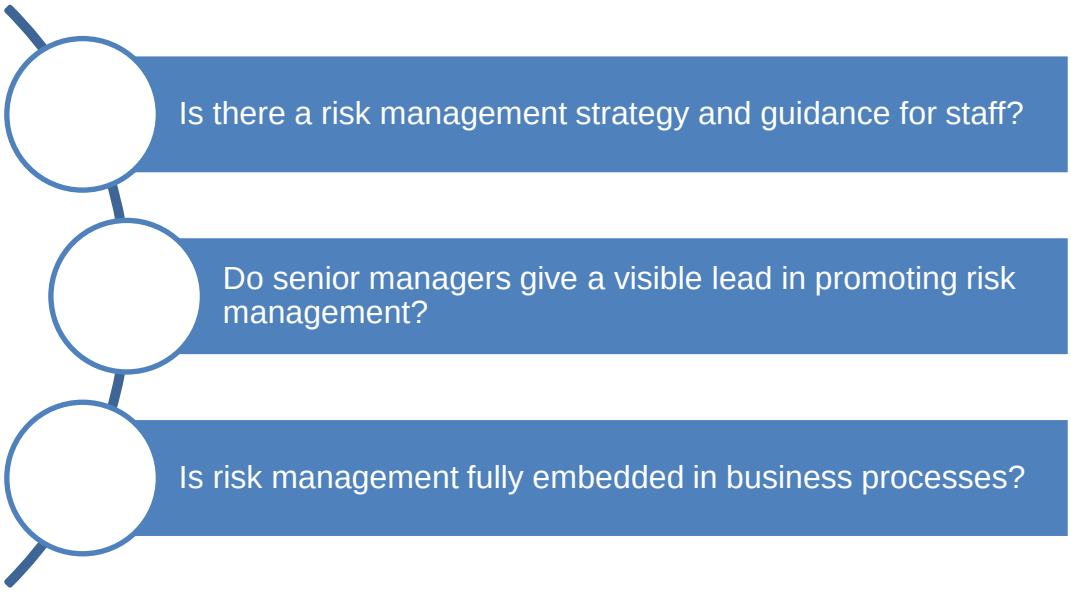
R2 Prioritise the completion of the review of the Terms of Reference of CMB, the CMB Risk Management Sub-Group and DRMG to:

- resolve confusion and ambiguity;
- clearly specify risk management reporting responsibilities; and
- place an explicit duty on CMB and 'groups' to satisfy themselves that any groups responsible to them for risk management activities discharge their responsibilities.

Leadership and strategy

3.1 My work has focussed on three specific questions (see Exhibit 10).

Exhibit 10: Leadership and strategy: areas of focus



Is there a risk management strategy and guidance for staff?

3.2 Effective risk management in organisations starts with a clear strategy supported by appropriate guidance and review mechanisms.

3.3 The States are in a period of change. In 2014, the risk management framework comprised:

- Financial Direction (FD) 2.7 that provided a high-level framework for risk management together with supporting guidance; and
- various Departmental strategies and policies.

3.4 However, following the Marsh review, the States recognised that a strengthened corporate framework was required. In September 2016, the Chief Executive issued a Code of Practice for Risk Management, as one of the new statutory Employment Codes of Practice. This was developed by DRMG.

3.5 The stated aims of the Code are:

- to promote a consistent and comprehensive approach to risk management;
- to promote an innovative, less risk averse culture that encourages the pursuit of opportunities as well as the management of risks;
- to provide a sound basis for integrating risk management into decision making; and
- to embed risk management as a component of excellent corporate governance and management practices.

3.6 The Code applies to all employees of the States and requires that mechanisms are in place within all departments to:

- identify and evaluate risks;
- record and monitor risks using a suitable risk management information system or risk register;
- document and assess strengths and mitigating actions, including controls;
- identify suitable responses to risk;
- provide assurances that risks are regularly reviewed and action points carried out in a timely manner;
- identify any third-party vendors and services that are in scope of risk management activities and establish appropriate monitoring and control requirements where necessary;
- ensure the effectiveness of risk policies;
- provide training and awareness on risk management;
- record and review near misses as part of the risk management process; and
- document and regularly review the risk management strategy.

3.7 Steps were taken to ensure that Accounting Officers were aware of and understood the provisions of the new Code:

- the Chief Executive issued the Code, along with 12 other Employment Codes of Practice, under cover of an explanatory letter;
- presentational materials about the Codes, including material developed by DRMG, were available for use in departmental Senior Management Team (SMT) meetings in November and December 2016; and
- the Codes were published on the MyStates website in December 2016.

3.8 The States' Wellbeing and Employment Relations function had planned to:

- roll-out an e-learning course on the new Codes of Practice; and
- ensure that SMT members had completed it by the end of February 2017.

However, while the course was developed, issues with resources and the lack of a common e-learning platform across the States resulted in the planned e-learning course being abandoned.

3.9 I welcome the development of the Code. I recognise that the Code was issued under the Employment of States of Jersey Employees (Jersey) Law 2005 and does not therefore extend to all bodies within the States' 'accounting boundary', including the Jersey Overseas Aid Commission, Andium Homes, Ports of Jersey and the States of Jersey Development Company. In consequence, there is an increased risk that risks relating to these entities are not appropriately identified, evaluated, mitigated, managed and escalated.

3.10 The States plan to support the Code with Risk Management Guidance that will allow the withdrawal of FD 2.7. The Guidance is currently being developed by DRMG. Using members of DRMG to develop the Guidance allows existing good practice to be harnessed.

3.11 The 'final draft' sets out examples of good practice in identifying, assessing, documenting and reporting risks, aiming to consolidate the approach across departments. However, despite its description as 'guidance', it highlights mandatory requirements and key responsibilities, including that:

- Accounting Officers are personally accountable for managing the risks to effective service delivery and the achievement of business objectives within their department. A framework of senior level delegation is essential if risk management is to be effective;
- each department has a risk management strategy and shows how risk management has been embedded into its plans;
- each department maintains a risk register; and
- whatever structure is adopted to allocate responsibilities for risk management, a mechanism is in place for reporting risks to the Chief Officer or Accounting Officer.

3.12 I am concerned that:

- unless there is clarity about the respective roles of the Risk Management Code and supporting Guidance, there is an enhanced risk that mandatory requirements are not properly understood and complied with;
- there is a risk that consistent States-wide adoption of a new corporate framework will be compromised if the Guidance is not made available and rolled out effectively as a matter of urgency;
- the draft Guidance focuses on how to identify, evaluate, mitigate and record risks; it currently lacks good examples of using risk management to inform strategic decisions; and
- there are no developed plans to capture feedback and learning once the Guidance is launched, to identify barriers to embedding risk management in the day to day running of the States' business.

3.13 Prior to the development of the Code of Practice and draft Guidance, there were departmental arrangements, with more fully developed written strategies and policies found in HSSD, Social Security and Community and Constitutional Affairs. I have evaluated the variation in arrangements in four departments against some of the key elements of the Code and draft Guidance. I welcome the effective action taken by some departments but am concerned that in other areas progress has been slower and that, in one case, arrangements appear inconsistent with the corporate framework. Exhibit 11 compares progress between the four departments, recognising that some progress is recent and further progress is planned. The use of a different risk evaluation approach in ISD impedes effective comparison of risks and responses across the States. The Chief Executive is currently

reviewing the approach adopted by ISD to ensure that corporate arrangements for risk management are not compromised.

Exhibit 11: Comparison of a sample of departmental arrangements

Established	In progress	Recognised	Not addressed
Health and Social Services Department			
Risk Management Strategy (2011) and Policy and Procedures (2014) consistent with the Code and draft Guidance Integrated Governance Committee supports production of a Board Assurance Framework covering clinical and non-clinical risks. Integrated Report recording progress against Business Plan objectives and notes risks to delivery and mitigating actions.	Updated reporting framework to provide more objective assurance that risks are being managed, including information about: • the direction of travel of risk scores; • review dates; and • risk appetite. Improved assurance about the effectiveness of controls in place to mitigate risks.	The need to be more consistent about how 'project' risks are managed as part of the departmental risk register.	
Economic Development, Tourism, Sport and Culture Department			
Improved arrangements for managing the strategic risk register: • focussing on key risks only, reducing number from 60 to 11; • identifying escalation arrangements for each risk; and • defining levels of 'risk appetite' and tolerance levels for each risk.	Cascading the new risk register template throughout the department so that all 'feeder' registers can be aligned.	Need to do more to ensure risk management and learning from risks are joined up, including through capturing patterns and trends of incidents and 'near misses'.	

Established	In progress	Recognised	Not addressed
Education Department			
The department has well established arrangements for managing: • strategic risk through the Corporate Risk Register taken to SMT; • project risk, through a standardised project management recording and reporting process; and • health, safety and wellbeing risk through the facilities management function.	Facilitated by upgrades to the Management Information System used in the department, schools and colleges: • action to ensure that risk management is integral to decisions on delivering Business Plan objectives, including by setting a risk appetite; and • in schools and colleges, assimilation of Code requirements in other policies and procedures e.g. the Health and Safety, Wellbeing Codes of Practice.		
Information Services Department (within Chief Minister's Department)			
	Draft Risk Management Policy dated February 2017 that does not reflect the requirements of the new Code. Draft Risk Management Strategy that refers to the Draft Guidance.	Need to develop the risk management role of the Portfolio Office that took on the responsibility from the previous Project Management Office.	A six-level risk evaluation matrix was used as opposed to the corporate five-level matrix. All risks are expressed in financial terms rather than broader categories in the draft Guidance. Management has subsequently agreed to move to the corporate risk evaluation model.

Source: Audit review of arrangements in four departments up to June 2017

Recommendations

R3 Review the contents of the Code and associated Guidance so that the Code contains all mandatory requirements and that the role of the Guidance is to support States officers in complying with the requirements of the Code.

R4 Develop and implement a plan for effective roll-out of the new Guidance once finalised to ensure:

- a consistent understanding by all staff involved in risk management activities across the States; and
- that there is an active process to capture feedback and learning once the Guidance is launched, to identify barriers to embedding risk management in the day to day running of the States' business.

R5 Adopt a timetable for review, updating and adoption of departmental arrangements to ensure consistency with the Code and Guidance.

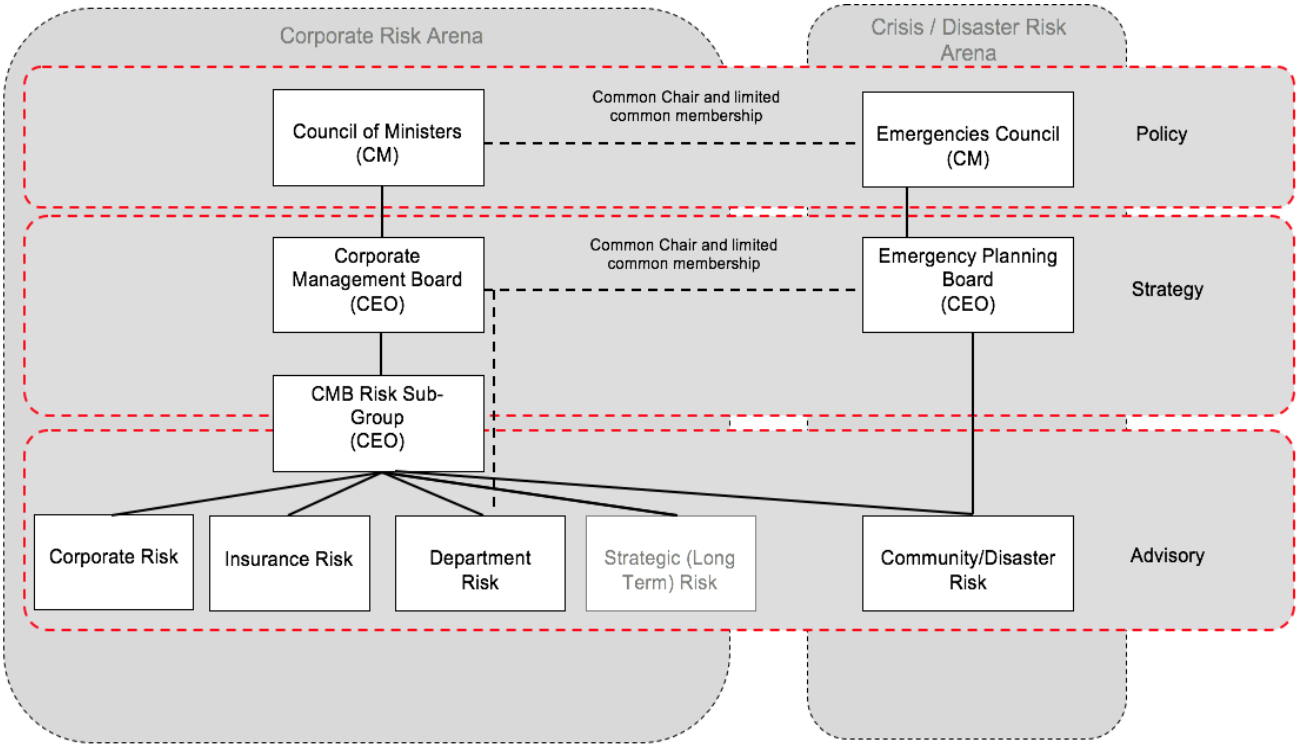
Do senior managers give a visible lead in promoting risk management?

3.14 Visible leadership from senior managers is central to embedding risk management within the States.

3.15 The Marsh report criticised the States for uncertain corporate ownership and the absence of corporate roles and responsibilities for risk management.

3.16 The Chief Executive appointed the former Chief of Police as CMB's lead officer for risk management. Since then the States have responded by defining roles and responsibilities for risk management at political and management levels (see Exhibit 12).

Exhibit 12: States of Jersey Risk Framework



Source: States of Jersey

3.17 Specific steps taken are:

- review of the Corporate Risk Register by the Audit Committee;
- establishment of the CMB Risk Management Sub-Group to undertake detailed work on corporate risk management, chaired by the former Chief of Police until he retired and now by the Head of Public Sector Reform supported by the Interim Chief of Police;
- formalisation of linkages between corporate risk management and emergency planning;
- establishment of an Emergency Planning Board Risk Assessment Group led by the Deputy Chief Fire Officer charged with maintaining a Community Risk Register of island-wide risks in parallel with the Corporate Risk Register;
- establishment of DRMG, chaired by the Chief Fire Officer, that developed the Code of Practice and draft Guidance referred to above. DRMG includes representatives of key corporate functions, including Human Resources and ISD; and
- integration of Business Continuity Management into corporate risk management arrangements: the remit of the previous DRMG was recently widened and the States' Business Continuity Manager is a member of the new Departmental Risk Management and Business Continuity Group.

3.18 However, non-ministerial departments are not represented on DRMG. Whilst they have access to resources developed by DRMG, there are no formal mechanisms for peer support, or indeed peer pressure, and therefore an enhanced risk that risk management arrangements are not as effectively developed in non-ministerial departments. The Chair of DRMG is seeking to develop ways of engaging non-ministerial departments without expanding DRMG to an unmanageable size.

3.19 There is evidence that the corporate leadership on risk management has had an impact. Although the profile accorded to risk management varied between the departments reviewed, in all cases risk was subject to discussion by Senior Management Teams.

3.20 The Chief Executive recognises both the progress made and the challenges that remain. He is confident that the leadership of CMB and the specific leadership role assumed by the Head of Public Sector Reform will facilitate the ongoing drive to embed risk management across the States at corporate and departmental level.

Recommendation

R6 Establish enhanced arrangements, including peer support where appropriate, to engage and support non-ministerial departments in complying with the corporate approach to risk management.

Is risk management fully embedded in business processes?

3.21 Effective organisations integrate risk management with business planning procedures rather than regarding it as a one-off or annual operational activity.

3.22 My review of Financial Management (April 2015) concluded that there was a lack of effective integration of two components of planning - financial planning and business planning - throughout the States. In the case of risk management, I identified similar weaknesses in integration into wider business planning but also recognise improvements since the Marsh report:

- the (draft) Guidance focuses on basing risk identification on business objectives and monitoring it alongside business performance management; and
- at a corporate level, strategic risks are now appropriately assigned to the States' strategic objectives.

3.23 At a departmental level, embeddedness is variable, ranging from embedded to absent. In Exhibit 13, I consider the links between risk management and published business plans. Although I would not anticipate full details of risk registers to be published routinely, I would anticipate consistency between risk registers and details of risks contained in business plans.

Exhibit 13: Links between risk management and department plans

Department	Links to 2017 business planning
Social Security	Although the Department's published 2017 business plan does not align risks with objectives and activities listed, a Significant Risk model identifies the 14 categories of risk to achieving the business plan and the Significant Risk Register cross-references these risks to the business plan.
Health and Social Services	The HSSD business plan lists the risks to delivery, but these are generic, for example: competing priorities; ability to recruit staff to deliver services; budget pressures. No links to the departmental risk register are made.
Environment	The business plan includes a significant number of performance indicators and targets in relation to key areas of activity. The plan also identifies risks against some activities, for example: lack of resources or support; lack of IT support from centre. These do not link to the departmental risk register.
Education	The business plan does not explicitly set out risks but does note within each business area the activities which mitigate risks to delivering ambitions. The risks are captured within project and workstream activity templates as part of the overall risk management process which covers the department, schools and colleges.
Probation and After Care	Risk assessment is separate and not yet undertaken as part of the annual objective setting process.
Treasury and Resources	Risk management is evolving. At this stage, a range of risks have been identified and categorised by risk owners but are not clearly expressed. Risks have not emerged as part of the ongoing business planning process.

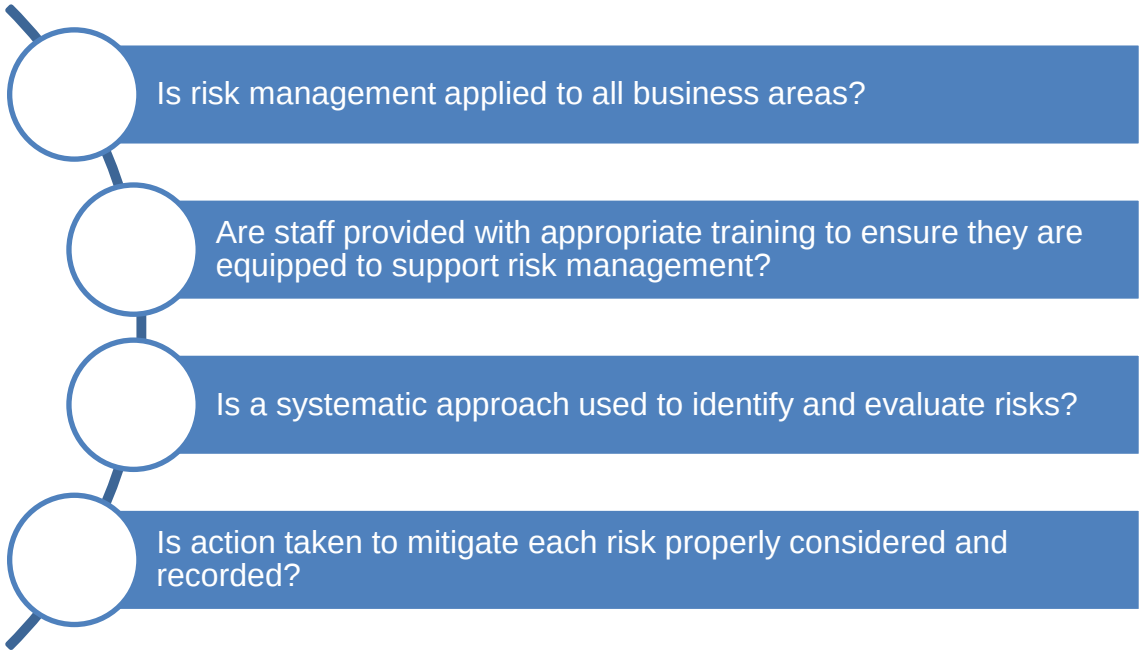
Recommendation

R7 Ensure that all departments integrate risk management into wider business planning processes, including published business plans.

Risk identification, classification and action

4.1 My work has focussed on four specific questions (see Exhibit 14).

Exhibit 14: Risk identification, classification and action: areas of focus



Is risk management applied to all business areas?

4.2 It is important that risk management covers all activities within an organisation and is a top-down process driven by corporate and departmental objectives. High performing organisations maintain and update corporate and departmental risk registers to ensure that risks are captured and mitigating actions remain relevant and effective.

4.3 I have reviewed both the Community and Corporate Risk Registers and a sample of departmental risk registers.

4.4 Both the Corporate and Community Risk Registers are comprehensive and maintained up-to-date. There are established processes for adding, re-evaluating and removing risks.

4.5 At departmental level, the picture is less consistent. Whilst two departments identified in 2015 not to have risk registers have now established them:

- the linkage between business planning and risk assessment is inconsistent across departments; and
- the frequency of review of risk registers is variable. Of the departments reviewed only Social Security, Health and Social Services, Education and Community and Constitutional Affairs rigorously reviewed and updated their risk registers at least quarterly.

4.6 Even where strong arrangements for risk management have been established in a department, there are risks that they are not consistently applied. This can have important financial and service delivery consequences (see Case Study 1).

Case Study 1

In my *Review of Community and Social Services* published in December 2015, I reported that HSSD's System Redesign and Delivery Directorate had demonstrated effective risk identification and evaluation:

- the development of the White Paper 'Caring for each other, Caring for ourselves' was based on a substantial review of current service provision and anticipated future needs and the risks of doing nothing; and
- a well-established risks and issues log was updated for quarterly discussions at the Transition Plan Steering Group. The log was supported by processes for scaling, scoring and escalating risks that informed the implementation of the delivery plans.

However, I also reported that:

- the initial assessment of the potential impact of the introduction of the States' Long-Term Care Scheme was weak, leading to unanticipated volumes of referrals and consequent strains on the system; and
- for the Community and Social Services Department's activities as a whole there was no consistent, effective approach to risk identification and evaluation in place.

In due course, I will be reviewing how actions since my report was published have delivered planned improvements.

4.7 But good risk management arrangements at departmental level, operating as intended, will not automatically lead to effective risk management for the States as a whole. There also need to be good arrangements for escalation of risks from departmental risk registers to the Corporate Risk Register where appropriate. Currently Accounting Officers are expected to escalate risks via CMB. Both the existing Financial Direction and the draft Guidance include that:

Any serious threats to achievement of objectives should be brought to the attention of the CMB (through another accounting officer if appropriate where a service is not represented directly at CMB).

4.8 However:

- there is no definition of 'serious threats';
- inconsistencies in identification or understanding of risk appetite and evaluation of risk between departments mean that risks that should be escalated may not be;

- arrangements for escalation of risks by Accounting Officers for non-ministerial departments who do not attend CMB are insufficiently formal; and
- some departments expressed the view that risks could usefully be escalated to CMB before they become a 'serious threat', for information and discussion, and to enable sharing with other departments.

4.9 In May 2017, DRMG agreed that its Chairman, the Chief Fire Officer, would act as a 'check and balance' to test the process for sharing and escalating risks via CMB and also to feed back to DRMG corporate risks which should feature in departmental risk registers.

4.10 The Corporate Risk Register relates to 'the States' comprising ministerial and non-ministerial departments. There is no direct reflection of risks relating to:

- other entities whose financial performance is consolidated in the financial statements of the States: Andium Homes, Ports of Jersey and the States of Jersey Development Company; or
- other entities controlled by the States: Jersey Telecom, Jersey Water, Jersey Post and Jersey Electricity.

4.11 However, the States are exposed to both financial and reputational risks associated with these entities. Given the scale of activities of these bodies, and the risk profiles associated with some of them, I would have expected that such risks would be captured either directly or through the shareholder function within Treasury and Resources. However, no risks in respect of the entities as a group or individually are reflected in the Treasury and Resources departmental risk register.

Recommendations

R8 Undertake a comparative review of the content of all departmental risk registers and the rigour and frequency of their review.

R9 Strengthen risk escalation arrangements, including for non-ministerial departments.

R10 Ensure that risks associated with entities controlled by the States are reflected in the Corporate Risk Register and Treasury and Resources departmental risk register as appropriate.

Are staff provided with appropriate training to ensure they are equipped to support risk management?

4.12 Staff in all areas of an organisation should be provided with training, appropriate to their role, to ensure that they are equipped to support risk management. Effective training challenges existing views and helps staff to see risk management as:

- an enabler, not an overhead;
- 'Business as Usual', not someone else's job; and
- an integral part of continuous planning and service improvement.

4.13 Effective training is particularly important outside the departments (such as Infrastructure and Education) that have wide experience of risk management relating to collaborative projects with other agencies.

4.14 The States have previously used a specialist external trainer to deliver a risk management training workshop that was well received.

4.15 Moreover, training is best undertaken not only in response to individual initiatives but driven by a relevant competency framework and as part of an integrated training programme. However:

- currently the corporate training programme does not include any aspects of risk management training other than risk assessment associated with health and safety training; and
- although there are references to risk management in the new leadership programme, it is not explicitly referred to in the Modern Manager Training modules.

4.16 At a departmental level, there have been some good initiatives. For example:

- HSSD's Risk Management Policy requires all staff to understand and use the Datix Risk Management System within their service area. Training to enable this is part of all staff members' induction programmes; and
- in the Education Department, training has been an integral part of a wider focus on risk management (see Case Study 2).

Case Study 2

The Education Department's focus on risk management support and training has included the needs and responsibilities of staff in schools and colleges.

The Department's 2017 Business Plan includes ensuring 'excellent governance standards are adopted in schools and facilities'. To support this, risk assessment protocols have been or are being developed in areas such as:

- health and safety and wellbeing;
- information security and records management; and
- online safety.

The aim is to ensure both the physical and information security of staff, students and the public. This is supported by a programme of training, audit and inspection to improve compliance with risk management arrangements.

In the last three years, significant progress has been made in how staff in schools and colleges play a part in assessing and managing risk. Training has been expanded to include new staff groups. Online systems have helped move the process from a 'tick box' and reactive exercise to much more proactive approach - for example in logging incidents and 'near misses' so that learning is shared. This information is used as part of a Department Key Performance Indicator.

In the last year, the Department has extended risk management internal compliance inspections to the Youth Service and Library Services. Private schools are also given access to risk assessment and audit protocols.

Results from audit and inspection are used to create a school risk profile and this is summarised in a 'league table'. This is the basis for the Department's future risk management workplan; a key focus for 2017 is improving Business Continuity Management.

Recommendations

R11 Prioritise development of a common e-learning platform across the States to facilitate effective roll-out of corporate training.

R12 Update the competency framework and corporate training programme to reflect risk management skills as part of the wider cultural change programme within Public Sector Reform.

R13 Develop mechanisms to capture and share experience of departmental training initiatives across the States.

Is a systematic approach used to identify and evaluate risks?

4.17 Good practice in identifying and evaluating risks is typically characterised by use of a consistent set of criteria to assess risks including financial impact, service quality and reputation.

4.18 The draft Guidance provides for a systematic approach to identification and evaluation of risk, using:

- an illustration of the categories into which risks fall, for example, political risk, reputational risk and financial risk; and
- a standard 5x5 scoring matrix that attributes a risk score based on likelihood and impact (see Exhibit 15).

However, the approach is not reflected in the Code and is not therefore mandatory. This impedes effective aggregation and escalation of risks.

Exhibit 15: Risk evaluation matrix

Impact Likelihood	Minor 1	Moderate 2	Significant 3	Serious 4	Major 5
Very likely 5					
Likely 4					
Possible 3					
Unlikely 2					
Very unlikely 1					

4.19 The Guidance includes a practical example of risk identification and standard templates for risk registers are available to departments.

4.20 The existence of a standardised approach to risk assessment does not automatically secure consistent application. There are established mechanisms for maintenance of the Corporate and Community Risk Registers, but:

- there is no explicit process for structured CMD review of the corporate register, including in light of changes in risk appetite and tolerance and wider learning;

- there is significant variability in the form and content of departmental risk registers (see Exhibit 16); and
- there is significant variability in the assessment of essentially the same risk in departmental risk registers. Whilst such variability may be justified, there is no established corporate mechanism for reviewing and validating such variations (Exhibit 17).

Exhibit 16: Examples of practice identified in departmental risk registers

Department	Practice
Strengths	
Community and Constitutional Affairs	• Risks are clearly described in sufficient detail • The volume of risks is manageable • There is cross-reference to the business plan • Evaluation of risks (impact and likelihood) is not unreasonable.
Education	• Risks are clearly described in sufficient detail • The volume of risks is manageable • There is cross-reference to the business plan • Evaluation of risks (impact and likelihood) is not unreasonable.
Social Security	• Risks are clearly described in sufficient detail with ability to drill down for further detail • The volume of risks is manageable • There is cross-reference to the business plan • Evaluation of risks (impact and likelihood) is not unreasonable.
Health and Social Services	• Operational risks are identified and reviewed at divisional level but challenged to test consistency and provide quality assurance, through the Integrated Governance Committee.
Treasury and Resources	• Risk spreadsheet enables data to be added relating to the management of the risk.
Areas for development	
Chief Minister's Department	• The risk register included 'issues' as well as 'risks' (subsequently changed).
Probation and Aftercare	• 'Risk events' rather than 'risks' captured.
Treasury and Resources	• When reviewed the register included 64 risks, some of them highly operational but excluding the key area of strategic investments. • Some risk descriptions so brief as to provide no clear indication of the nature of the risk.

Exhibit 17: Variation in risk assessment related to budget pressures

Department	Detailed risk (summarised)	Impact	Likeli-hood	Total
Community and Constitutional Affairs	Insufficient revenue funding limits the ability to deliver services.	4	4	16
Education	Inadequate resource allocation may curtail the organisation from achieving objectives.	4	4	16
Environment	Corporate requirement for budget reductions.	4	2	8
Probation and After Care	Unreasonable cuts to cash limit.	5	1	5
Chief Minister's	Cannot deliver needs of organisation due to restricted budget and resources.	4	4	16

Recommendation

R14 Undertake a programme of peer review of departmental risk registers to promote consistency of approach and challenge risk identification, evaluation, mitigation and reporting.

Is action taken to mitigate each risk properly considered and recorded?

4.21 Once risks are identified, it is important that action taken to mitigate each risk is properly considered and recorded.

4.22 Each risk register reviewed includes actions to be taken to mitigate the risks. But the clarity of expression of mitigation varies between risk registers. On the one hand:

- the Corporate Risk Register contains detailed actions in response to risks; and
- the Community Risk Register includes prioritised proactive and reactive actions in hand or proposed.

On the other hand:

- the approach to establishing and recording actions to mitigate risk as set out in the draft Guidance is powerful but not yet fully applied. The recommended approach includes:
  - categorising the response (tolerate, threat, transfer or terminate);

- evaluating the impact of mitigating actions on either the likelihood of risk, the impact of risk or both; and
- identifying the target impact of and timeframe for action.

- in most departmental risk registers, there is scope for improvement in specifying the actions to mitigate risks. For example:
  - those for Probation and Aftercare are very brief and lack clarity. For example, for the risk 'Adverse Findings' which is a red risk, the mitigation is 'Policy; standards; supervision'; and
  - several actions in the Department of the Environment risk register are insufficiently specific, particularly in relation to high category risks. For example, 'Unplanned infrastructure failure' is identified as a high risk and the mitigation response lacks detail beyond 'monitor infrastructure'.

4.23 The findings of this review echo those of previous reviews where I identified inadequate action or description of action in response to identified risks (see Exhibit 18).

Exhibit 18: Examples of weaknesses in risk mitigation from previous reports

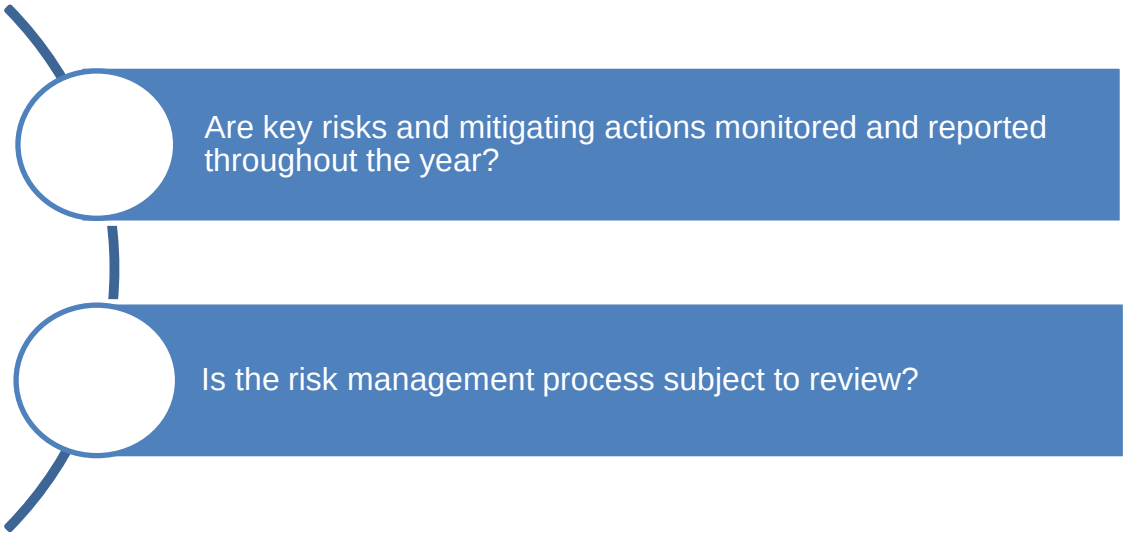
Date and review	Issue reported	Weakness
December 2015 Review of Community and Social Services	Key recommendations on Children's Services made following an external review in 2008 were not implemented on budgetary grounds.	Identified risks were, by default, tolerated but no 'early warning' indicators were established to monitor the consequences of inaction.
May 2016 Review of eGovernment	The risk register included: Unable to recruit cost-effective project managers and analysts; increased costs, project delays. Recorded mitigation: Can be covered by an extended Professional Services contract (more costly).	The mitigation does not address the cost element of the recorded risk.
January 2017 Review of the Jersey Innovation Fund	There was no requirement for a risk register covering the operations of the Fund rather than individual loans.	Risk and risk management were not viewed holistically and lessons from one loan were not applied to others.

4.24 Earlier in this report I have made a recommendation for peer review of risk registers that could assist in identifying and appropriately describing risk mitigation action.

Monitoring, reporting and review

5.1 My work has focussed on two specific questions (see Exhibit 19).

Exhibit 19: Monitoring, reporting and review: areas of focus



Are key risks and mitigating actions monitored and reported throughout the year?

5.2 Risk management is an ongoing process. The best performing organisations ensure that risks and mitigating actions are monitored and reported to stakeholders throughout the year.

5.3 Since the publication of the Marsh report there have been significant developments in the reporting of risk. The framework detailed in Exhibit 7 above now includes:

- quarterly reporting of the Corporate Risk Register to CMB;
- provision of summary risk map showing risks by category and direction or travel to the Council of Ministers;
- reporting of the Community Risk Register to the Emergency Planning Board and the Emergencies Council every six months;
- reporting on business continuity to CMB quarterly;
- reporting on departmental risks annually via the Accounting Officers' Annual Governance Statements that are subject to review by the Chief Internal Auditor.

5.4 The CMB Risk Management Sub-Group is actively managing the Corporate Risk Register and reporting to CMB and the Council of Ministers:

- changes to key risks are discussed by considering any movement in risk appetite, likelihood, impact and mitigating action; and
- there is evidence that new risks escalated from departments are considered.

However, there is less focus on learning by DRMG, especially through the evaluation of the effectiveness or otherwise of mitigating actions.

5.5 The Chief Minister's Department has implemented a web-based system - Perform - to enable high level monitoring and reporting of the projects which constitute the Public Sector Reform programme, within the Corporate Change Portfolio. This enables a corporate view of projects, including the ability to present the risk profile of parts of the programme in a dashboard. It has taken some time to implement the Perform system across all parts of the Public Sector Reform programme. Its use in reporting and managing risk is developing.

5.6 At departmental level, there are examples of well-established monitoring and reporting processes (see Exhibit 20). However, reporting of risks to ministers is less embedded with reporting of risks and action on an ad hoc basis.

Exhibit 20: Departmental risk reporting

Department	Strengths	Areas for development
Health and Social Services	Detailed monitoring and reporting structure including review by a Risk Register Governance Group which reports to the SMT through the Integrated Governance Committee.	
Social Security	Routine consideration by the SMT with a quarterly meeting dedicated to risk alone.	
Education	'Risk' is included in the 'core' management team agenda.	
Community and Constitutional Affairs	Evidence of established management debate.	
Treasury and Resources	Recent inclusion of risk as a routine agenda item.	Processes are less developed.
Chief Minister's Department	Inclusion of risk on management team agendas.	Evidence of slippage where urgent issues arise.
Information Services Department		Risk not routinely included on agendas (although there are plans to do so).
Probation and Aftercare		Reporting of risks to the Probation Board is via a word document. Moving from narrative reporting of risks to use of the risk register to ensure that risk, mitigation and residual risk are clearly reported on a consistent basis.

Recommendations

R15 Include in the amended Terms of Reference for DRMG a duty to review the effectiveness of mitigating action and share learning acquired as a result.

R16 Stengthen arrangements for reporting of risk and mitigation to ministers.

Is the risk management process subject to review?

5.7 High performing organisations periodically review corporate processes to ensure that they remain fit for purpose and reflect changes in the environment in which the organisation works.

5.8 The States commissioned the Marsh review that was issued in 2014 and have implemented a substantial programme of change in response. Subsequently:

- the process for reviewing, updating and reporting the Community Risk Register has been reviewed and reinvigorated; and
- Business Continuity Management arrangements have been subject to annual review.

5.9 Given the scale of change, after the roll-out and implementation of the Guidance and in response to this report, a comprehensive structured review may be helpful.

5.10 The Terms of Reference for the CMB Risk Management Sub-Group provide a valuable focus on learning through:

- a monitoring report to CMB quarterly on compliance with the risk management framework, identifying areas needing further action; and
- an annual report setting out the activities of the Sub-Group including a statement on the adequacy of the States' management of risk.

However, as highlighted above, the focus of the work of the Sub-Group to June 2017 has been on the Corporate Risk Register to the exclusion of some other responsibilities meaning that this focus on learning has been missing.

Recommendation

R17 Determine the timing and frequency of internal review of risk management arrangements.

Conclusion

6.1 The States have come a long way in a relatively short time in developing risk management as a key tool of corporate management. The States recognised that their corporate arrangements were undeveloped. They engaged external support to undertake a baseline review. From a standing start, they developed and implemented a corporate framework with appropriate accountabilities at a corporate level. Existing arrangements for Business Continuity Management have recently been integrated into the new arrangements for risk management. Community and Corporate Risk Registers are now in place. At a departmental level, there are some examples of developed arrangements for risk management with appropriate engagement by staff at all levels.

6.2 But risk management is not yet adequately embedded across the States so that it is integral to everything that the States do and an inherent part of a shared culture across government. In particular:

- the CMB Risk Management Sub-Group has focussed on the Corporate Risk Register rather than important wider responsibilities about arrangements for risk management, ensuring compliance and promoting learning;
- there has been insufficient urgency in finalising and developing an effective plan for rolling out the corporate Guidance designed to support the high-level Code on risk management;
- there has been insufficient engagement of non-ministerial departments in corporate arrangements for risk management;
- risk management is not adequately embedded in departmental business planning processes;
- departmental risk management arrangements vary substantially in maturity, with insufficiently formal processes for escalation of risks from departmental to corporate level;
- risk management processes do not adequately capture risks associated with other entities controlled by the States;
- training on risk management has not been comprehensive or reflective of a wider vision for skills and competencies to underpin Public Sector Reform; and
- in some key areas, a common approach for departments is not prescribed, hindering the scope for aggregation and escalation of risks. In any event, there are inadequate mechanisms for comparative review across departments, both to promote consistent, high standards and to capture learning and best practice.

6.3 It is all too easy to see risk management as, at worst, a box-ticking exercise and, at best, about systems and processes alone. To move to the next level the focus must be not only on systems and processes but also on cultural change. Only then can risk management be an integral part of management and, indeed, drive positive, considered risk-taking. Guidance and training can serve an important role in supporting the transition but the necessary change requires time, effort, constant reinforcement and strong, consistent leadership. Handled well, embedding risk management will facilitate the wider cultural change that the States have recognised is needed to deliver high quality public services in a changing environment.

Recommendation

R18 In implementing the other recommendations in this report, focus on steps to secure cultural change within the States' workforce to embrace risk management as an integral tool of management.

Appendix 1: Summary of Recommendations

Oversight and governance

R1 Strengthen the mechanisms by which the Audit Committee discharges its responsibilities for risk management, including by:

- increasing the review and challenge of the design and operation of risk management polices and procedures; and
- directly linking the review of specific risk areas to the contents of the Corporate Risk Register.

R2 Prioritise the completion of the review of the Terms of Reference of CMB, the CMB Risk Management Sub-Group and DRMG to:

- resolve confusion and ambiguity;
- clearly specify risk management reporting responsibilities; and
- place an explicit duty on CMB and 'groups' to satisfy themselves that any groups responsible to them for risk management activities discharge their responsibilities.

Leadership and strategy

R3 Review the contents of the Code and associated Guidance so that the Code contains all mandatory requirements and that the role of the Guidance is to support States officers in complying with the requirements of the Code.

R4 Develop and implement a plan for effective roll-out of the new Guidance once finalised to ensure:

- a consistent understanding by all staff involved in risk management activities across the States; and
- that there is an active process to capture feedback and learning once the Guidance is launched, to identify barriers to embedding risk management in the day to day running of the States' business.

R5 Adopt a timetable for review, updating and adoption of departmental arrangements to ensure consistency with the Code and Guidance.

R6 Establish enhanced arrangements, including peer support where appropriate, to engage and support non-ministerial departments in complying with the corporate approach to risk management.

R7 Ensure that all departments integrate risk management into wider business planning processes, including published business plans.

Risk identification, classification and action

R8 Undertake a comparative review of the content of all departmental risk registers and the rigour and frequency of their review.

R9 Strengthen risk escalation arrangements, including for non-ministerial departments.

R10 Ensure that risks associated with entities controlled by the States are reflected in the Corporate Risk Register and Treasury and Resources departmental risk register as appropriate.

R11 Prioritise development of a common e-learning platform across the States to facilitate effective roll-out of corporate training.

R12 Update the competency framework and corporate training programme to reflect risk management skills as part of the wider cultural change programme within Public Sector Reform.

R13 Develop mechanisms to capture and share experience of departmental training initiatives across the States.

R14 Undertake a programme of peer review of departmental risk registers to promote consistency of approach and challenge risk identification, evaluation, mitigation and reporting.

Monitoring, reporting and review

R15 Include in the amended Terms of Reference for DRMG a duty to review the effectiveness of mitigating action and share learning acquired as a result.

R16 Stengthen arrangements for reporting of risk and mitigation to ministers.

R17 Determine the timing and frequency of internal review of risk management arrangements.

Conclusion

R18 In implementing the other recommendations in this report, focus on steps to secure cultural change within the States' workforce to embrace risk management as an integral tool of management.

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