



## RISK MANAGEMENT POLICY

### Introduction

This document sets out the policy of London TravelWatch towards the management of risk, and establishes processes which support the realisation of the policy.

### Policy Statement

It is the policy of the LTW Board to maintain a sound system of internal control based on, amongst other elements, a thorough and regular evaluation of the nature and extent of the risks to which the organisation is exposed. The Board endorses the approach and recommendations of the Turnbull report<sup>1</sup> which further states that the purpose of internal control "is to help manage and control risk rather than to eliminate it". In support of this policy, the Senior Management Team is required to demonstrate that:

1. risks have been identified and documented, and are subject to regular review;
2. a consistent approach has been adopted to assessing and prioritising risks;
3. identified risks have been assigned to individuals to develop plans for taking action to address the risk in a timely manner, the authority for which is hereby conferred;
4. risks identified have been communicated to the appropriate level of management; and
5. where appropriate, contingency plans have been put in place.

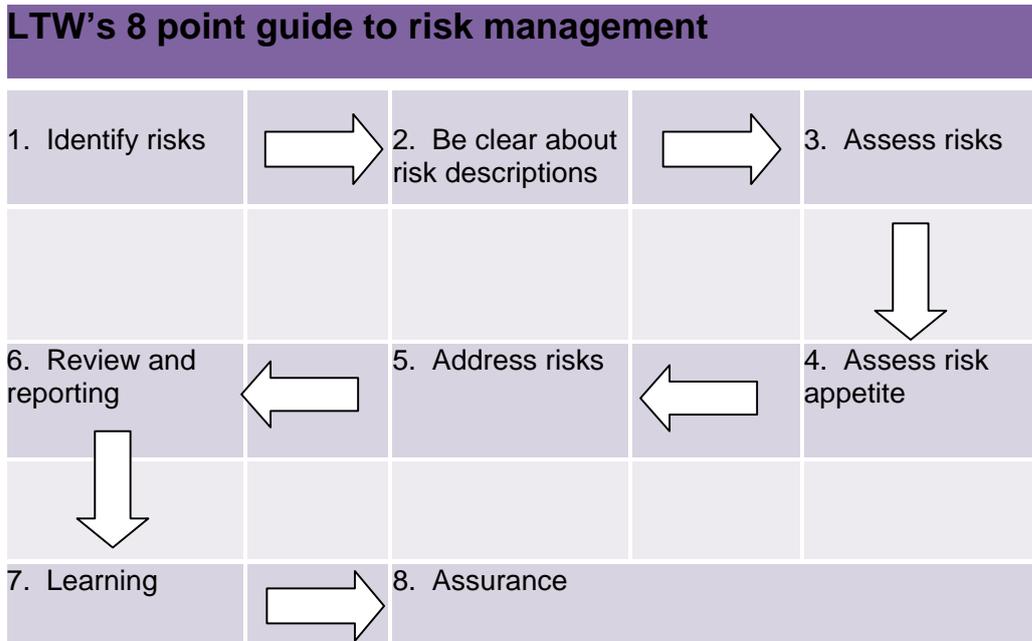
For the avoidance of doubt, the Board has adopted the following standard definition of risk:

*"Risk is uncertainty; it is any action, event or impact yet to happen that may effect the ability of LTW to achieve its objectives. However, as well as possible threats, risk also arises from a potential failure to take advantage of possible opportunities"*

The Board has approved the following processes for the management and control of risk. The Chief Executive is responsible for ensuring that these policies are implemented.

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<sup>1</sup> Guidance for Directors on the Combined Code, The Institute of Chartered Accountants in England & Wales, September 1999



**1. Identifying risks**

Each level and part of LTW is required to review its activities and to contribute its diagnosis of the risks it faces. This will be done as part of the normal management and planning processes so that owners themselves identify the risks.

Risk type	Group	Meeting
Strategic / statutory	London TravelWatch Board	At each meeting
Business plan commitments	London TravelWatch Senior Management Team	Monthly basis
Operational	London TravelWatch Senior Management Team	Monthly basis

The risk register will be maintained by the Director, Public Liaison. An action point of each meeting will pass on any risks to the Director, Public Liaison. As a general rule, all risks identified in this way should be clear in terms of their description (see section 2) and contain a preliminary risk assessment (see section 3). **As detailed below, in section 8, the Executive Group on behalf of the Board will provide an assurance role in this process.**



In order to identify risks and to assess them effectively, all staff will be provided with risk management training as part of their induction programme. This training will have regard to the level of risk associated with the post and any previous training. In addition, annual refresher training will be provided to all staff.

## 2. Being clear about descriptions of risk

No risk should be admitted to the risk register unless it can be demonstrated that it will have an impact on business objectives. The precise nature of the impact – in its raw or mitigated form – will be considered (and dealt with) through a preliminary risk assessment.

## 3. Risk assessment

Risks identified will be communicated clearly in terms of their likely impact both in the raw form and after mitigating measures have been identified.

### *Identifying impact*

The following table illustrates how impact will be determined:

Level	Severity	Likelihood
1	Insignificant	Rare
2	Minor	Unlikely
3	Moderate	Possible
4	Major	Likely
5	Catastrophic	Almost certain

The impact of the risk is the multiplied values of severity and likelihood.

### *Considering impact*

Having calculated the impact, it will be ranked according whether the risk constitutes a low, medium or high risk to business objectives using the following chart.



	5	10	15	20	25
5	5	10	15	20	25
4	4	8	12	16	20
3	3	6	9	12	15
2	2	4	6	8	10
1	1	2	3	4	5
	1	2	3	4	5

Likelihood

All determinations with a low (green) impact should be managed at the level from which they were identified, unless there are other compelling reasons not to do so.

All medium (yellow) and high (red) determinations should be communicated to the holder of the risk register.

**Stages 4-6 in London TravelWatch’s framework are the explicit responsibility of the Senior Management Team, acting together.**

#### 4. Risk Appetite

When reviewing a risk presented to it, the Senior Management Team will initially reach a view on tolerability in terms of:

- the value of assets lost or wasted;
- stakeholder perceptions;
- balancing the cost of controls (see below) against the extent of exposure; and
- the balance of potential benefit to be gained or the losses to be withstood.

Care must be taken not to be so risk averse as to miss potential opportunities.

#### 5. Addressing risks

The Senior Management Team will then to consider the risk presented to it in these stages:



*Confirmation of preliminary risk assessment*

The Senior Management Team will consider whether it agrees with the assessment of raw or inherent risk. If it does not, it may so decide, but it must record its reasons for doing so.

*Treatment*

The Senior Management Team will then consider how to treat the risk in one of four ways:

**Tolerate the risk** – Agree that there is nothing that can be done, other to accept the likely impact. The activity that gives rise to the risk is necessary in terms of the business objective to which it relates.

**Transfer the risk** – For example insure against loss of theft.

**Terminate** – Stop doing whatever gives rise to the risk, which may be regarded as too great.

**Treat the risk** – This is the most common approach. The Senior Management Team will consider controls – or mitigating measures – to reduce the risk. Once agreed, the risk assessment procedure in section 3 will be applied again. This will give rise to a residual or post-control risk impact value which, assuming the controls are properly applied, produce a more realistic value. These should be carried forward to the register.

## **6. Review and reporting**

Each risk will be allocated an owner. This will normally be a Senior Management Team member. The register must be brought up to date each month at the Senior Management Team meeting and reviewed. All changes to the risk register must have a clear audit trail.

## **7. Learning**

The Senior Management Team will provide feedback to those that have provided input to the risk process, and fully explain its decision making both for those recommendations it has endorsed and those it has changed or rejected.



## **8. Assurance**

The Board of London TravelWatch has appointed the Executive Group as a special subsidiary body to exercise general oversight on behalf of the Board on governance issues and they have a responsibility to provide a risk assurance role within this process. The Executive Group regularly reviews operational and business plan issues and will periodically satisfy itself that the risk process is functioning satisfactorily and that the Senior Management Team is reporting to it regularly and comprehensively. This will enable the Board to provide the assurance to London TravelWatch's sponsor that internal control is being given the appropriate level of scrutiny.

## **9. Formal risk statement for accounts**

A formal risk statement will be made in the Accounts to reflect London TravelWatch policy:

"The Board and the Chief Executive are responsible for the management of the risks faced by London TravelWatch. Detailed considerations of risk are handled by the senior managers in meetings. Risks are identified and assessed throughout the year and controls are established to manage the risks. A formal review of London TravelWatch's risk management processes is undertaken each year.

The key controls used are:

- Formal agendas and minutes for meetings;
- Detailed terms of reference for subsidiary bodies;
- Regular management accounts and cash flow statements;
- Development of formal written policies, including authority limits.

Through the risk management processes established by the Board, the members are satisfied that the major risks identified have been adequately mitigated where necessary. It is recognised that systems can only provide reasonable but not absolute assurance that major risks have been adequately identified."