



HM TREASURY

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09 December 2004

DAO(GEN) 18/04

Dear Accounting Officer

ARRANGEMENTS FOR HANDLING EXTERNAL RISKS, PUBLICATION OF ORANGE BOOK & PARTNERSHIP GUIDANCE

Purpose of this letter

This letter is to:

- a. Outline arrangements for handling external risks
- b. Inform departments that the new edition of HM Treasury's *Orange Book; Management of risk – Principles and Concepts* has recently been published
- c. Inform departments that joint OGC/HM Treasury guidance on *Managing risks with delivery partners* has recently been published

Action

2. Accounting Officers are asked to note the contents of this letter and to draw it to the attention of NDPBs, other bodies sponsored by their Department and partner organisations as appropriate.
3. Departments, NDPBs and any other sponsored bodies should draw the contents of the letter to the attention of staff specified under each item.

Contacts

4. For further information on this DAO, please contact:
 - *External risks* – Paul Willis, Civil Contingencies Secretariat, phone: 020 7276 5164, paul.willis@cabinet-office.x.gsi.gov.uk
 - *Orange Book* – Gordon Adam, HM Treasury, phone: 020 7270 5788, gordon.adam@hm-treasury.x.gsi.gov.uk
 - *Partnership guide* – Frances Scarff, Office of Government Commerce, phone: 01603 704765, frances.scarff@ogc.gsi.gov.uk



Handling External Risks

5. The Civil Contingencies Secretariat's (CCS) horizon scanning and annual risk assessment provides information on external risks (including from terrorism, industrial action, electronic attack, human or animal disease, and environmental hazards). Departments should integrate this material into their mainstream business risk management arrangements (e.g. inclusion in risk registers, escalation to the Board where necessary) by:

- Considering use of the CCS's risk assessment in their planning and risk management arrangements, and their communication strategies.
- Ensuring they are fully engaged in the horizon scanning activity and the annual risk assessment process, both in terms of contributing to the assessments and taking account of them.
- Ensuring that their Boards are confident that relevant external risks are being adequately addressed. This might be done in the context of reviewing top-level risk registers, and in ensuring that external risks are adequately covered when drafting and signing the Statement on Internal Control.

6. Key individuals who should be made aware (subject to security clearance) of this material are:

- Risk Improvement Managers
- Those involved in Business Continuity Planning
- Communications Directors
- Where relevant, Capability Workstream Managers, TIDO(R) committee representatives and those on the Departmental Horizon Scanning Committee (DHSC)

Orange Book Management of risk – Principles and Concepts

7. A new edition of the Orange Book was published at the end of October. It is available on the Treasury's public website at <http://www.hm-treasury.gov.uk/media/FE6/60/FE66035B-BCDC-D4B3-11057A7707D2521F.pdf>. (A limited number of hard copies are available for those without internet access – please contact Gwin Trinh on 020 7270 5174).

8. The main changes are as follows:

- A revised risk management model better reflecting the interplay of various aspects of risk management
- A revised high level guide to categories of risk
- Considerably enhanced guidance on particular aspects of risk management such as risk appetite
- New guidance on issues concerning the extended enterprise and the risk environment

9. This guidance is of relevance to all members of staff in an organisation, but in particular:

- Those who are new to risk management
- Those who are tasked with providing training on risk management in their organisations
- Those concerned with review of risk management arrangements (such as Audit Committees and Internal Audit)
- Senior Staff and Board members
- Operational level staff with a role in managing day to day risks
- Risk Improvement Managers

Managing Risks with Delivery Partners

10. HM Treasury and OGC published joint guidance on *Managing risks with delivery partners* on 13th October 2004. It is available on OGC's website at http://www.ogc.gov.uk/sdtkdev/new_content/ManaginRisksDeliveryPartners.pdf.

11. The guidance sets out good practice and draws on lessons learned by government departments in managing risks when working in partnership to deliver.

12. The guide is intended to help those in departments who are involved in:

- **Working directly with partner organisations** (agreeing contracts or service level agreements, managing/monitoring performance or working together to deliver services)
- **Reviewing the range of partners** with which the department works, the allocation of risks and the arrangements to manage those risks
- **Improving risk management more generally**

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