

CHAPTER 4**PLANNING AND ASSURANCE****Contents****Para**

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INTRODUCTION

1. The Secretary of State requires mechanisms to be in place to provide assurance that policy requirements are being introduced, maintained and effectively implemented to provide high standards of environment and safety performance.

2. Assurance shall be independent of implementation. A Top Level Budget Holder (TLB)/Trading Fund Agency (TFA) duty holder may choose to assure themselves that their own arrangements are appropriate and effective via independent scrutiny, e.g. by a TLB/TFA level safety support organisation or independent safety auditor undertaking audits of business units and evaluating performance data. Each Functional Safety Board (FSB) chairman shall provide assurance as required by his letter of delegation from the Second Permanent Under Secretary (2PUS) that TLBs and TFAs and hence the MOD are implementing the requirements of the Secretary of State's policy for their functional safety domain. The Safety Sustainable Development and Continuity Division (SSD&C) shall collate a MOD-wide picture of assurance of the totality of performance data and advise 2PUS on the degree of assurance that can be provided to the Permanent Under Secretary (PUS).

CORPORATE GOVERNANCE

3. Joint Service Publication (JSP) 525 - Corporate Governance and Risk Management, sets out the framework and risk based methodology through which the Defence Board shall exercise its internal control. Thus significant corporate risks to achievement of the Defence Balanced Scorecard objectives shall be reviewed, together with the necessary formal assurance of compliance with statutory requirements and effectiveness of internal control systems and procedures, to enable PUS to sign the annual statement of internal control.

4. TLBs, TFAs and FSBs shall apply JSP 525, combined with any additional Defence Environment and Safety Board (DESB) requirements, to ensure that environment and safety risks across all activities relevant to corporate governance are captured, evaluated, assigned ownership and reported. The DESB shall evaluate the risks reported to it and agree the MOD's key concerns for its report to the Defence Audit Committee (DAC). Environment and safety concerns represent one strand of risk to be considered by the DAC.

PLANNING TO ACHIEVE PERFORMANCE

5. Duty holders shall adopt a systematic and planned approach to implementing environment and safety management systems that meet the obligations placed on them. They shall demonstrate high standards of environment and safety performance, based on legislation, the requirements set by FSBs, and the environment and safety objectives and targets set by capability requirements. The steps to achieve this, are generic with the degree of rigour and techniques applied, shall be proportionate to the risk. Where Functional Safety Boards (FSB) set risk management requirements, these shall be in accordance with the generic principles below and measured for consistency across the Ministry of Defence (MOD).

RISK MANAGEMENT

6. There are two elements of environmental and safety risk management within MOD. Firstly, there are the environment and safety risk assessments required by law or MOD policy to enable adequate management of workplace hazards and those hazards inherent in the use, maintenance and transportation of MOD equipment and materiel. Secondly, there are the corporate risks affecting the achievement of the objectives in the Defence Plan and the outputs of the TLB and TFA duty holder organisations which are managed via MOD's corporate governance requirements.

7. The MOD's approach to environment and safety risk management shall be based on principles of:

- Clear ownership of risk
- Clear delegation of authority
- Proportionate risk management and control measures in accordance with a recognised standard, e.g. Def Stan 00-56
- Appropriate monitoring, inspection and audit
- Common policies and standards
- Transparency of risks
- Auditable trail of decisions

Environment and Safety Risk Assessments and Their Management

8. Environment and safety risk assessments are required by law or by MOD specific requirements for workplaces, processes and activities. The responsibility for completing assessments and implementing controls falls to line managers as part of their normal duties. These assessments range from the straightforward workplace risk assessment through to those that support the safety cases required under the FSB environment and safety management systems. Precise requirements are identified and set out in the documents published under the authority of each FSB chairman. TLBs and TFAs shall ensure that they implement these requirements. The outcome of the process shall be the identification and implementation of adequate control measures to minimise harm to people and the environment. Significant residual risks, or where adequate control cannot be achieved, shall be fed into the duty holder corporate governance mechanism at the appropriate level.

Environment and Safety Risks in Corporate Governance

9. The degree of rigour applied by duty holders to the management of corporate environment and safety risks shall be proportionate to the magnitude and complexity of the individual situation. Five steps shall be applied by duty holders to ensure effective management:

- Risk Identification – A variety of mechanisms exist to identify, at all levels, risks to the achievement of objectives and outputs. There must be a clear description of what the activity leading to the risk is and the threat it poses to the objectives and outputs.
- Risk Assessment – Identified risks shall be assessed in terms of likelihood of them occurring and the associated impact against objectives and outputs. Consideration shall include the potential population affected or the likely extent of environmental damage. This shall be translated into an indication of the relative importance of the risk to enable consistent comparison and prioritisation.
- Risk Management – For effective management of the risk, an owner, with the authority to determine the degree of mitigation they wish to apply to ensure the tolerability of the risk, shall be identified. Where required, additional mitigation measures shall be implemented by the owner and the degree of residual risk evaluated.
- Risk Reporting – The risks identified, details of the owner and control measures in place shall be compiled to form an environment and safety risk register and reported via TLB and TFA duty holder corporate governance mechanisms. Risks requiring further mitigation shall be included in relevant action plans. Where appropriate, risks shall also be reported to relevant lead FSBs to inform their assurance and reporting activities.
- Risk Review – Mitigation measures must remain effective; if they become degraded the likelihood of the risk coming to fruition will increase. To prevent this, risk owners shall assure themselves periodically that mitigation measures remain proportionate and effective.

10. The outcome of this activity shall be proportionate, environment and safety risk registers drawing together the major risks, in priority order, owned by each duty holder organisation. This forms part of their corporate governance activities, meets the requirements of JSP 525 and allows risks to be recorded once but reported as often as necessary.

11. Chairmen of FSBs shall be aware of the corporate risks for their functional safety domain via the risks reported to them by duty holders, policy committees and regulators and identify any additional risks from performance review activities. FSB chairmen shall not ordinarily be risk owners as they are not duty holders. They shall ensure that risks have been appropriately assigned to duty holder owners and managers. They shall seek, in their assurance role, confirmation that duty holders have adequate controls in place or, where controls are under development, suitable interim measures. FSB chairmen may act as risk owner where risks are considered to be MOD-wide and no single owner can be clearly identified. Under such circumstances, the same risk management processes shall be applied.

OBJECTIVES AND TARGETS

12. Setting of objectives and targets is an integral part of all management systems. Consequently, the Defence Plan contains strategic objectives, including those for environment and safety, together with targets for their implementation. They are directed at duty holders, in respect of reducing fatalities and injuries, and the DESB with regard to delivering safe equipment and safe systems of work.

13. These objectives are aimed at duty holders and shall cascade down the line management chain; TLBs and TFAs shall reflect them in their individual management plans and balanced scorecards. The DESB shall specify any additional environment and safety objectives for continuous improvement that duty holders are to achieve. Where necessary, FSBs shall also set objectives and targets in relation to the activities under their authority, but staffed with the DESB Working Group to ensure coherence.

14. In addition to the suite of environment and safety related objectives and targets placed upon them, duty holders shall additionally set objectives and targets to improve environment and safety performance throughout their organisation and include them in their management plans and balanced scorecards. The extent of this shall be driven by review of environment and safety performance data and identified environment and safety risks. There shall be proportionality and linkage of objectives and targets at all levels of the organisation.

ACTION PLANS AND FORWARD WORK PROGRAMMES

15. The achievement of objectives and targets shall be a key indicator of environment and safety performance. Duty holders shall demonstrate that they adopt a planned approach to their achievement. This shall typically be in the form of a TLB/TFA environment and safety action plan which includes:

- Measures to be taken to achieve objectives and targets
- Actions to manage risks identified in the risk registers
- Actions to rectify deficiencies identified via performance measurement and audit
- Any additional requirements the duty holder has identified

16. There shall be a top down development of action plans cascaded down the line management chain. Lower tier organisations shall develop the plans, as appropriate, to meet their business needs. Detailed development of action plans may be facilitated by the relevant safety and support organisation and plans shall be endorsed by relevant management boards.

17. FSBs and the DESB shall also have a planned approach to their activities for, while they are not duty holder organisations, similar considerations apply. Development of a formal action plan may not be the appropriate vehicle but, as a minimum, there shall be a forward work programme. This shall be developed by the Board secretariat for endorsement by the Board.

MEASURING PERFORMANCE

18. It is essential that effective mechanisms exist to feed back performance information for review in the continuous improvement cycle. Effective feedback is to be encouraged to ensure that environment and safety policies, standards, arrangements and regulations remain effective and that opportunities for improvement are identified and taken.

19. All delegated authorities shall measure how effectively environment and safety requirements have been implemented and risks are controlled across their area of responsibility to contribute to the MOD picture. This shall include how well the environment and safety culture is being developed and the currency of standards and best practice. There are a wide range of techniques that can be applied to measuring performance. These fall into two broad categories; active and reactive. Audit, an active measurement technique, is addressed in more depth at paragraph 25. The techniques outlined below shall be considered as the basic minimum for application.

Active Measurement

20. Active Measuring techniques feed back on performance before accidents, incidents or ill health occur and provide a firm basis for decisions to be made about improvements in risk control and the environment and safety management system. They are aimed at monitoring the design, development, installation and operation of management arrangements, risk control strategies and workplace precautions. The key to effective active measuring is the quality of plans, performance standards and specifications that have been established to provide a yardstick against which performance can be measured. Techniques employed shall be proportionate to the organisation's hazard and risk profile. Active measuring techniques may include:

- Routine procedures to monitor achievement of specific objectives and targets contained in management or action plans (e.g. quarterly or monthly reports or returns).
- Periodic examination of documents to check that systems relating to the promotion of the environment and safety culture are complied with. One example might be the way in which suitable objectives have been established for each manager; regular review of performance; assessment and recording of training needs and delivery of suitable training.

- The systematic inspection of premises, plant and equipment by supervisors, maintenance staff, management, safety representatives or other employees to ensure the continued effective operation of workplace precautions and any operating constraints.
- Routine checking the implementation of environment and safety requirements and procedures during all phases of acquisition activities.
- Environmental monitoring and health surveillance to check the effectiveness of health control measures and to detect early signs of harm to health.
- Systematic direct observation of work and behaviour by first line management to assess risk control strategies and associated procedures, rules and constraints, particularly those directly concerned with risk control.
- The operation of audit systems relating to environment and safety within MOD
- Compilation and consideration of regular reports on environment and safety performance by the relevant functional safety or management board, including progress against risk registers
- Environment and safety culture/climate surveys and questionnaires

Reactive Measurement

21. Reactive measuring techniques and systems are triggered after an event and provide opportunities for an organisation to check performance, to learn from mistakes and to improve the environment and safety management system and risk control. Where appropriate, this feedback shall be reported to the relevant regulators. The results of reactive measurement shall be used to identify trends, areas of specific weakness and information relevant to claims against MOD. Each FSB shall evaluate available information and data on accidents, incidents, occupational ill health and other evidence of deficient environment and safety performance. Reactive measurement techniques may include:

- Accident and incident reporting (including voluntary reporting schemes) and recording to cover all environment and safety related incidents. It is recognised that there are a considerable number of reporting systems in existence in MOD related to the various functional safety areas (e.g. IMPACT for vehicle accidents). The introduction of the Incident Recording and Information System (IRIS) is aimed at easing the reporting burden.
- Ill health data where related to occupational causes.
- Claims data, including use of IRIS database, claims settled with payment
- The outcomes and findings of Service and other inquiries
- The outcomes of other accident and incident investigations
- Inspection reporting
- Details of enforcement action from external regulators, including Crown Censures, Enforcement Notices and, where relevant, prosecutions

22. Measurement of environment and safety performance is predominantly a duty holder responsibility. They shall, therefore, have in place suitable and proportionate mechanisms to enable active and reactive measurement activities to take place as part of their environment and safety management system. These shall ensure that such activities are consistent throughout the organisation and that all environment and safety domains are addressed. The outputs of these activities shall be a range of performance information reported up the line management chain to allow consolidation and co-ordination by relevant environment and safety support organisations and be fed into the performance review system.

23. FSBs shall have in place proportionate mechanisms to enable the collection and collation of all performance information relevant to their functional safety domain. The information shall derive both from duty holder measurement activities and from the assurance activities undertaken under the authority of the board chairman. The latter will include a more limited number of active and reactive monitoring techniques, the outcomes of which shall be communicated to duty holders. FSB chairmen shall ensure information is collected to assess the effectiveness of board policies, rules and guidance and their effectiveness in delivering safe use and performance of equipment. If necessary, a FSB chairman shall instruct that an independent investigation or inquiry be established to identify lessons to be learnt. Information shall be collated by board secretariats into a form suitable for use in the board's performance review and assurance role.

24. In all cases, measurement shall not become an end in its own right. There must be value in the data produced by the activity and it must be used to drive continuous improvement in environment and safety performance.

AUDIT

25. Audit is an essential part of the MOD's environmental and safety management system. A useful definition of audit in this context is "the structured process of collecting independent information on the efficiency, effectiveness and reliability of the total environment and safety management system and drawing up plans for corrective action". It, therefore, involves making judgements about the adequacy of performance. Audit shall aim at establishing that:

- Appropriate management arrangements are in place and effective
- Adequate risk control systems exist, are implemented, and consistent with the hazard profile of the organisation
- Appropriate precautions are in place and effective.

26. There are a number of strands of environment and safety audit that occur across the MOD. These are:

- Corporate level
- Functional safety domain
- Duty holder internal audits
- Risk based audits

Corporate

27. SSD&C is responsible for setting the strategic framework and overseeing environmental and safety audit and assurance activity across MOD and part of this role is to carry out audits in accordance with a plan endorsed by the DESB. These audits shall be undertaken in the context of a risk based assurance system aimed at giving managers, stakeholders, external regulators and the public a full and true reflection of the management of environment and safety in MOD. Audit frequency shall be proportionate to the organisation's risk profile and environment and safety performance. The methodology shall incorporate the principles of corporate governance and risk management against an established baseline management standard. As part of the DESB reporting process, the environment and safety audit performance is reported to the DESB and the DAC. Where appropriate, the SSD&C shall address risks identified by the functional safety domains and will take account of the audit activities undertaken under the auspices of the FSBs.

Functional Safety Domain

28. To comply with their letter of delegation to provide assurance, FSB chairmen shall ensure mechanisms such as audit and, where appropriate, external authorisation are in place. This shall provide evidence, which enables them to give the assurance that MOD is complying with legislation and internal standards for the functional safety domain. The methodology employed shall be available for use by those acting under the authority of the Board (Regulators, Safety Management Offices, etc) and, where appropriate, by the duty holder where there is an internal audit requirement. Specific competence requirements shall be identified. FSB chairmen shall ensure that the principles underpinning the methodology are broadly coherent with those of other boards, but that the subject areas covered remain within their remit. The methodology shall be published as part of the Board's level 2 documentation.

29. Where there are cross-cutting issues linked to a lead board, the chairman of that board shall assure himself that any audit arrangements are appropriate and proportionate and that they have been endorsed by an appropriately authorised responsible officer.

30. Audits undertaken under the FSB chairman's authority shall occur on a planned basis. Each board shall have one or more nominated and authorised audit authorities (MOD regulators or discipline leads) to plan and conduct subject matter audits; this includes those for cross-cutting issues. Audit plans shall be submitted for FSB chairman's endorsement; this shall include consideration of coherence between audits for different subject areas and the need to minimise unnecessary over-audit of individual business areas. The results of audits shall be fed into each board's assurance activities.

Duty Holder

31. To comply with their Service Delivery and Trading Fund Agreements, duty holders shall audit their management systems, and organisation and arrangements for environment and safety and, where needed, implement corrective action. The size, complexity, hazard profile, and periodicity of activities undertaken by duty holders will dictate the extent of the audit activity they undertake. It is, therefore, essential that duty holders understand their hazard profile and ensure all relevant functional safety domains are addressed and that the whole of the organisation is covered.

32. Duty holders shall ensure that they use methodologies that have been developed and published under the authority of the FSB chairmen. Those who undertake audit activities shall meet any competence requirements that FSBs have set. Audits shall be co-ordinated with ongoing FSB audits for the area of responsibility.

33. A planned approach to audit shall be adopted with each duty holder nominating a lead audit authority to undertake this task. This individual shall ensure there is coherence between all environment and safety activity at TLB/TFA level. In doing this, they shall develop a consolidated audit programme covering all relevant functional safety domains and TLB/TFA policy and procedures. This shall also include any environment and safety audits to which the TLB/TFA is subject by authority from outside its organisation. The level of audit activity is to be proportionate to the individual business need so that it does not promote over-audit. The programme shall be developed annually and submitted to the appropriate board or committee for endorsement. The programme will be a dynamic document and shall be revised as appropriate to take account of any changes in programmes. TLBs and TFAs shall ensure their programmes are published and available to all stakeholders.

34. It is entirely acceptable for larger business units within a TLB or TFA to develop their own audit programmes linked to that of the parent TLB or TFA, providing it promotes consistency and minimises over-audit.

35. Audit reports are a valuable source of performance data and means of identifying risks. They shall be considered at the appropriate management level and, where necessary, action plans to remedy any deficiencies identified shall be developed, implemented and reviewed. Audit outcomes shall also be fed into assurance activities.

REVIEWING PERFORMANCE

36. Reviewing is the process of making judgements about the adequacy of performance and taking decisions about the nature of the actions necessary to remedy deficiencies and maintain continuous improvement. Internal reviews of performance shall be undertaken at all levels of the MOD. Information may be taken from the activities undertaken to measure performance, including the outcomes of audits and more informal assurance. Review of performance against targets, objectives and performance indicators must consider how well the organisation is achieving the performance levels that it has set itself at all levels. Review shall also consider progress in management of corporate environmental and safety risks. The feed back of information on successes and failures shall be a continuous process, including identification of remedial actions, shortfalls in policies, standards, arrangements, etc and for revision of objectives and targets.

37. Duty holder reviews shall concentrate on evaluating the adequacy of environment and safety performance, planning improvements and providing evidence for assurance. FSB reviews shall concentrate on how well policies, standards, arrangements, etc, are being implemented by duty holders and whether they are performing adequately as evidence for assurance. FSB chairmen shall provide their independent assurance assessment to 2PUS for their functional safety domain. The DESB shall review overall MOD environment and safety performance.

REPORTING PERFORMANCE

38. Duty holders shall report on their sustainable development, environmental protection and health and safety performance quarterly to the Defence Board in compliance with their letters of delegation and Trading Fund agreements, respectively. This activity is co-ordinated by SSD&C.

39. In addition to quarterly reporting, duty holders shall report on their environmental protection and health and safety performance annually to the appropriate FSB as part of the assurance assessment to 2PUS. This requirement extends to the FSB chairmen who shall provide an annual assurance report for their functional safety domain. Reports shall be compiled in accordance with templates, instructions and timetable published annually by SSD&C. The template provided represents the minimum to be reported and is designed to give authors flexibility including scope for additional information.

40. SSD&C shall use the reports it receives and the outcomes of its own audits to compile the MOD's annual assurance report on environmental protection and health and safety. The report shall be endorsed by the DESB and incorporate the outcome of its review of the MOD's environment and safety performance, together with the significant risks that it wishes to highlight to the Defence Board. The report also contributes, via the DAC, to the statement of internal control which PUS signs annually for the MOD.

41. Duty holders shall report annually to SSD&C on progress against the sustainable development commitments in the MOD's annual Sustainable Development Report and Action Plan which is presented to the DESB.