

SCOTTISH CHILDREN'S REPORTER ADMINISTRATION
RISK MANAGEMENT POLICY

Accountable Director: Director of Finance

Date: 15th September 2009

Recommendation:

- 1. To approve the attached Risk Management Policy.**

Reason for Report: For approval

Resource Implications: Within approved budgets

Strategy: Within approved plans

Consultation: Executive Management Team, Service Delivery
Management Team, Internal Audit

Document Classification: Open

1. Introduction

- 1.1 SCRA Board approved a Risk Management Policy in 2003 which was based on accepted best practice at that time. Since that time the management of strategic risks has been carried out by the Executive Management Team.
- 1.2 In April 2009 SCRA's internal auditors, PwC, reviewed current risk management arrangements and reported to the Audit Committee on an action plan to strengthen these arrangements, introduce operational risk management and integrate risk processes within the annual business planning and performance monitoring cycle.
- 1.3 Attached to this report is an updated Risk Management Policy and process.

2. Risk Management Policy

- 2.1 The updated Risk Management Policy is designed to ensure that all levels of the organisation contribute to the identification and management of risks, whether at strategic, operational, programme, project or team level.
- 2.2 The Risk Management Policy is supplemented by a Risk Management Structure Chart, a standard Risk Register template and notes on the Risk Management Process.
- 2.3 In the implementation of the updated Policy and process a key focus will be on ensuring all staff can input to the most critical stage, identification of risks, and raise concerns over possible threats/missed opportunities to line management and the Director of Finance as necessary.
- 2.4 The action plan attached to this report is focused on embedding risk management in the organisation ensuring a systematic approach is in place which supports effective strategic, operational and financial management.
- 2.5 The Risk Management Policy will be reviewed in 12 months to ensure the aims and objectives in section 3 of the policy have been achieved.

3. Conclusions

- 3.1 An awareness of the risks and opportunities SCRA faces in achieving its strategic and operational objectives is an essential part of the organisation's governance arrangements.
- 3.2 The policy and process set out in this paper are designed to introduce a systematic but proportionate approach to risk management at all levels in SCRA.

4. Recommendation

- 4.1 To approve the attached Risk Management Policy.

RISK MANAGEMENT POLICY

1. Introduction

- 1.1 Effective risk management is central to SCRA's corporate governance and internal control arrangements. Management and frontline staff are required to manage risk as part of their day to day workload and a robust approach to risk management should help SCRA to deliver it's business objectives
- 1.2 The risk management policy explains the Administration's underlying approach to risk management and documents the roles and responsibilities of the Board, senior management and employees. It also sets out the key aspects of the risk management process.
- 1.3 In addition, it describes the process the Board will use to evaluate the effectiveness of the Administration's internal control procedures.

2. Approach to Risk Management

- 2.1 The following key principles outline SCRA's approach to risk management and internal control:
 - the Board has responsibility for the system of internal control and for overseeing risk management within SCRA
 - the Principal Reporter/Chief Executive and senior managers will implement policies on risk management and internal control approved by the Board
 - a positive attitude to risk assessment and solving risk problems is adopted by the Board and senior managers
 - managers at all levels are responsible for encouraging good risk management practice within their areas

3. Objectives

- 3.1 The objectives of a formal risk management framework are to :
 - ensure the delivery of core objectives within available resources
 - support continuous improvement in service delivery
 - facilitate the timely identification and resolution of risks
 - enable effective stakeholder communication on service delivery
 - enhance SCRA's reputation and image
 - support internal controls intended to reduce losses.
 - inform SCRA's business continuity plans
- 3.2 To achieve these objectives the risk management process requires:
 - the integration of risk management into the planning and performance framework
 - that all managers consider the consequences of their decisions and actions from a risk management prospective
 - allocation of resources for risk awareness training
 - to be supported by a programme of audit and review

4. Role of the Board

- 4.1 The Board is responsible for the system of internal control. This includes:
- setting the tone and influencing the culture of risk management
 - setting appropriate policies on internal control
 - seeking regular assurance that the system is functioning effectively
 - approving major decisions affecting SCRA's risk profile or exposure
 - annually reviewing risk management policy
- 4.2 In setting the tone and influencing the culture of risk management the Board must determine the level of risk which SCRA is prepared to tolerate i.e. for any particular risk whether SCRA is prepared to accept the risk at its current level or whether any further action is needed to reduce likelihood or impact. It is expected that for all top rated strategic, operational and programme risks the risk owner will develop an action plan to reduce the risk assessment to moderate or escalate the risk to the next level.
- 4.3 The Audit Committee is charged by the Board with overseeing the operation of the system of internal control and with ensuring robust risk management arrangements within SCRA. The overall risk management structure is attached at Appendix 1.

5. Role of the Principal Reporter/Chief Executive

- 5.1 As Accountable Officer the Principal Reporter/Chief Executive has overall executive responsibility for risk management arrangements within SCRA, leading the risk management systems and ensuring that responsibilities delegated to other senior managers and staff at all levels within SCRA are discharged in an effective manner. The Principal Reporter/Chief Executive is also responsible for signing the Statement on Internal Control which is included in the annual accounts.
- 5.2 In addition to overall executive responsibility for risk management the Principal Reporter/Chief Executive oversees the maintenance of the Operational Risk Register by the Service Delivery Management Team (SDMT).

6. Role of senior managers

- 6.1 Key roles of senior managers are to:
- implement policies on risk management and internal control
 - identify, assess and develop action plans for the most significant risks faced by the Administration supported by Head of Planning and Planning & Performance Managers
- 6.2 The Director of Finance has responsibility for:
- day to day operation of SCRA's risk management arrangements
 - regular reporting to the Executive Management Team (EMT), Audit Committee and Board on strategic risks and controls
 - facilitating an annual review of the effectiveness of the system of internal control and reporting thereon to the Audit Committee

7. Role of employees

- 7.1 Employees should have the necessary knowledge, skills, information and authority to establish, operate and monitor the system of internal control and be responsible for managing risks as an integral element of their job.

8. Scope of risk management

- 8.1 SCRA's risk management policy applies to all areas of the organisation's activity. It is not only concerned with strategic objectives but encompasses operational and programme/project management activity. It should be viewed as a top to bottom process, involving all levels of staff, that supports continuous improvement. As well as focusing on possible threats it is important to consider the risks of not developing opportunities that would support innovation (positive risk taking) and improve service delivery.

9. Risk management as part of the system of internal control

- 9.1 The internal control system encompasses a number of elements including:
- Strategic planning and budgeting - the strategic planning and budgeting process is used to set objectives, agree priorities and allocate resources. Progress towards meeting objectives is monitored and scrutinised by the Planning & Performance Committee quarterly.
 - Risk Registers – the standard template (Appendix 2) should be used at strategic, operational and Region/Group level. The risk registers should be included in annual business plans at these levels and formally reviewed quarterly. Authority Teams and HQ Teams should develop a basic risk profile for inclusion in their team plans and ensure any risks which require to be escalated are highlighted to Reporter Managers/Directors. One overall HQ risk register will be developed based on the risks escalated by HQ Teams.
 - Programmes – SCRA's strategic Programmes and projects have individual risk profiles based on risks identified by Project Managers some of which are escalated for review by the Programme Board.
 - Audit Committee - the Audit Committee will oversee, on behalf of the Board, the risk management process through co-ordination and monitoring of the implementation of the Risk Management Policy. This includes reviewing Strategic and Operational Risk Registers annually and as necessary, reviewing the work undertaken on identified high risk areas and the action plans to mitigate the effects of such risks.
 - Audit – The Practice Audit programme is informed by an annual needs assessment and encompasses traditional fieldwork and self assessment. The internal audit programme will be focused on the significant strategic and operational risks, as identified by management, and auditing risk management processes across SCRA. External audit provides feedback to the Audit Committee on the operation of internal controls as part of the annual audit.

10. Annual Statement on Internal Control

10.1 The Board is responsible for the effectiveness of internal control within SCRA. The Principal Reporter, in preparing an annual statement on internal control for inclusion in the Annual Accounts will consider the elements in section 8 above and the following:

- SCRA's performance against financial and non-financial targets
- organisational structure and performance of senior managers
- organisation culture with respect to management of risk
- operation of delegated authority
- timeliness in identification of control issues and new significant risks
- prioritisation of risks and action to address areas of high exposure.
- effectiveness with which corrective actions are implemented

11. Risk management process

11.1 The key elements of the risk management process are set out below and more information is provided in Appendix 3.

11.2 Risk Types – it is helpful to categorise risks to ensure consistency in the process of identification, monitoring and reporting of key risks. SCRA has adopted a simple approach based on definitions for seven types of risk that should be sufficiently flexible to cover strategic, operational, group, team and programme risks.

11.3 Risk Identification – it is the responsibility of the members of groups/teams at each level to identify risks. A workshop approach is likely to be most effective allowing individuals within the group/team to work together and look beyond their areas of responsibility.

11.4 Risk Measurement – a numerical value between 1 and 5 is given to three different measures of risk – Impact, Likelihood and Management Control. Definitions for these measures are provided in Appendix 3.

11.5 Controls – the controls in place to mitigate the risk should be recorded and any new controls to be put in place should be proportional to the risk. Some form of cost benefit analysis might be required to ensure the control action represents value for money in relation to the risk being controlled.

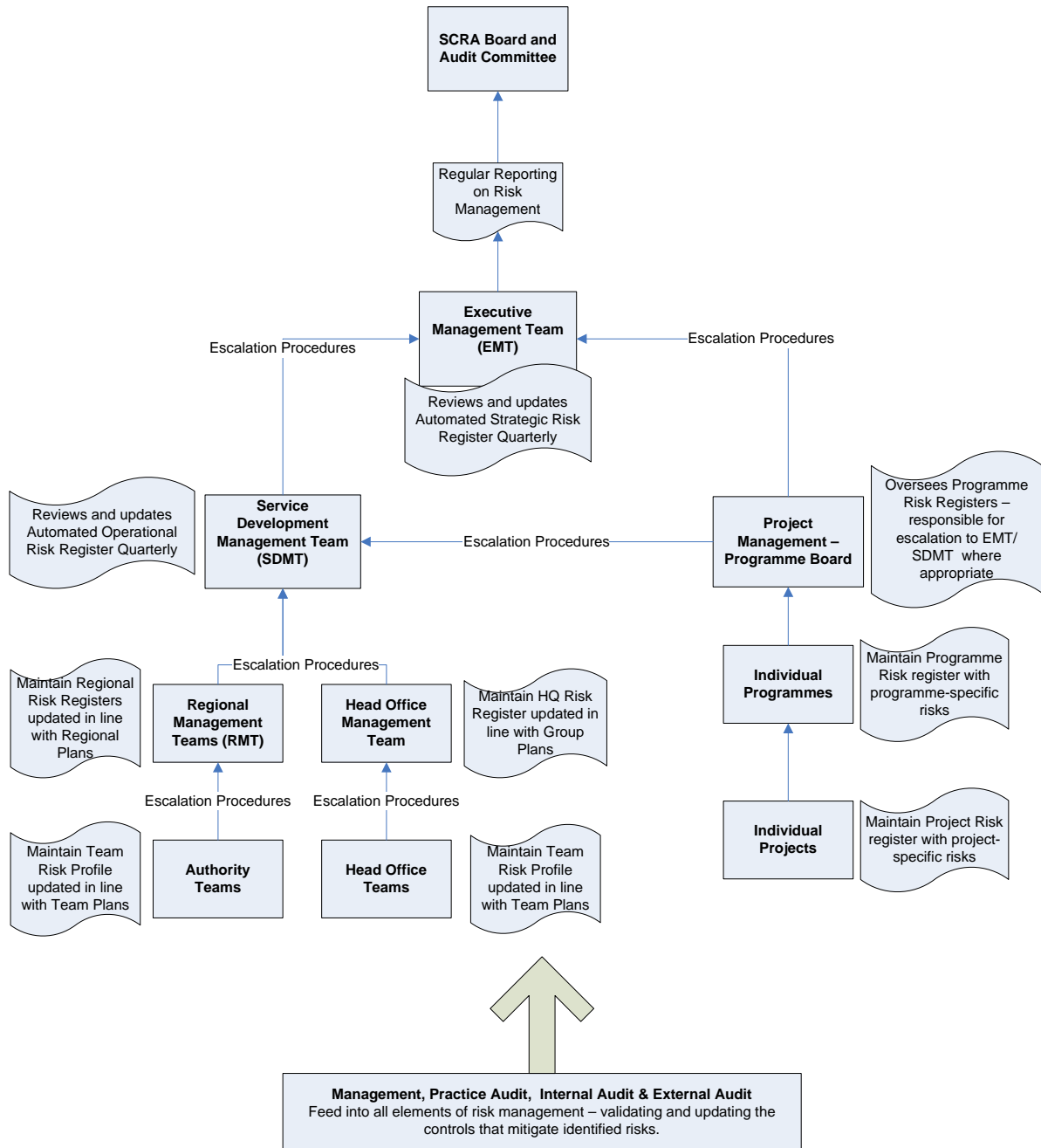
11.6 Monitoring and Reporting – it is important to monitor whether or not the risk profile is changing, to check that action plans are effective and to identify further action that might be necessary. Groups/teams should self assess their key risks quarterly and report thereon to the appropriate level for the purposes of challenge and scrutiny.

11.7 Outputs – the Risk Register is the main output of the process. As well as providing crucial data internally, this document provides evidence for audit that the risk management process is operating. The overall risk management process should help ensure that significant issues are quickly highlighted to the right level of management.

12. Developing the risk management process

- 12.1 The action plan attached at Appendix 4 sets out the further steps required to develop and embed the risk management process and create ownership across the organisation.
- 12.2 An early step is to consider the introduction of an automated risk register and to start by investigating the functionality of the Practice Audit tracking tool.
- 12.3 The use of horizon scanning and reflecting on the wider risk context will be developed building on the exercise carried out by the Audit Committee in May 2009. Issues such as the economy, government policy, legislative developments and changing stakeholder (staff, children and families) expectations should all be considered in assembling the risk profile.
- 12.4 SCRA has a range of partnerships which enable it to deliver its services and achieve its objectives. Consideration will be given to the best way to integrate partnership risks (from SCRA's perspective and the partner's perspective) into the risk management process. Although the same approach will be followed for partnership risks it may be necessary to build in a joint risk exercise with the partner.
- 12.5 To support the new risk management arrangements the benefits of introducing risk champions and risk forums should be investigated.
- 12.6 Consideration will be given to the right approach to heighten the awareness of risk management throughout SCRA, including issues around staff induction, training and communication.
- 12.7 As SCRA's business continuity planning process matures it will be important to develop links between that process and the risk management process. In relation to those significant risks which cannot be managed by SCRA to a tolerable level e.g. pandemic flu there may be a need for a contingency plan.

Proposed Risk Management Structure



Risk Register Template

Reference & link to Business Plan/Group Plan/Programme/Project objective	Risk Type	Description of Risk	Assessment	Trend	Controls in place/Assessment of Operation/Validation Performed	Action Plan & Timescales	Owner	Progress against Action Plan at last review date	Next Review Date	Escalation Required?

Risk Assessment Template

Reference & link to Business Plan/Group Plan/Programme/Project objective	Risk Type	Description of Risk	Likelihood	Severity	Management Controls	Overall Score	Open or Closed
						0	
						0	
						0	
						0	
						0	
						0	
						0	
						0	
						0	

Risk Management Process

1. Risk Identification (Reference & Link to Business/Group/Programme/Project objective)

It is best practice to integrate risk management into the annual business planning and quarterly performance monitoring process. Risks should be identified, assessed and prioritised in relation to SCRA's objectives. Each risk should have a unique reference number (for audit trail purposes) and be cross-referenced to one or more Business Plan/Group Plan/Programme/Project objectives. The management of risk at strategic, operational and Programme levels needs to be integrated to ensure actions at different levels are co-ordinated.

Initial risk identification should be carried out as a facilitated group exercise involving the owners of plans and objectives at each level of the organisation. All participants should have the opportunity to identify and assess risks however the exercise should conclude with an overall group view on the risk profile to be captured in the Risk Register. Continuous risk identification and assessment is achieved as part of the quarterly reviews of the Risk Register, although new risks can be identified and assessed outwith the cycle.

The participants in initial and ongoing risk identification exercises will want to consider the following internal factors:

- Annual plans and Quarterly Performance Reports
- Corporate self assessment (EFQM) outcomes
- Practice Audit, External Audit and Internal Audit findings
- Research and Evaluation findings
- Significant Case Reviews
- Casework issues/appeals activity

Identification of risks should involve looking externally as well as internally. Areas for consideration include:

- Stakeholder feedback
- Economic changes
- Issues from other jurisdictions
- Partnership Working issues
- HMle and other Inspectorate reports and action plans

2. Assessment definitions

Likelihood

Score	Frequency	Definition
5	Almost certain	The event will occur in most circumstances
4	Likely	The event will probably occur at least once
3	Possible	The event might occur at some time
2	Unlikely	The event is not expected to occur
1	Exceptional	The event will only incur in exceptional circumstances

Severity

Score	Impact	Definition
5	Catastrophic	Catastrophic effect on service provision.
4	Major	Significant impact on the achievement of the objective or service provision.
3	Moderate	Low impact on achievement of the objective or service provision.
2	Minor	Little impact on achievement of the objective or service provision.
1	Insignificant	No impact on achievement of the objective or service provision.

Management Controls

Score	Strength	Definition
5	No controls	There are no controls in place that enable the risk to be constrained.
4	Significant control gaps	There are control weaknesses that have a significant impact on the ability to mitigate the risk
3	Moderate level of control	There are control weaknesses that have a low impact on the ability to mitigate the risk
2	Minor weaknesses	There are control weaknesses but they do not impact on the ability to mitigate the risk
1	No improvement required	There are no control improvements which can be made.

Overall score = Likelihood (1-5) x Severity (1-5) x Management Controls (1-5). A score between 0 and 29 indicates a green zone risk; between 30 and 49 a yellow zone risk and between 50 and 125 a red zone risk. All risks should be included on the Assessment sheet but only red zone risks should be included on the Register and assigned to an owner. Assessment sheets should be retained to provide an audit trail for yellow and green zone risks. Ideally assessments should be carried out individually by all available members of the Group or Team before an overall Group or Team assessment is agreed and recorded in the Risk Register.

3. Risk Type

Once identified, individual risks typically fall into natural groupings. Capturing these groupings or categories of risk can act as a check that the range of potential risks that may arise have been considered. The following risk categories should be used at all levels of the organisation:

Strategic Risks - Risks that relate to doing the wrong things

Operational Risks - Risks that relate to doing the right things but doing them in the wrong way

Information Risks - Risks that relate to loss or inaccuracy of data, systems or reported information

Reputation Risks - Risks that relate to SCRA's image

Financial Risks - Risks that relate to losing monetary resources or incurring unacceptable liabilities

People Risks - Risks associated with employees and management

Regulatory Risks - Risks related to the regulatory environment

4. Responsibility for identification, assessment, recording, reporting, management and escalation of risks

Activity	EMT	SDMT	Region/HQ	Programme	Team (basic risk profile)
Risk identification	All Members	All Members	All Members	All Members	All Members
Risk assessment	All Members	All Members	All Members	All Members	All Members
Updating Risk Register	Director of Finance	Chair	RM/Director	Programme Manager	Manager (update risk profile)
Reporting risks	Director of Finance	Chair	RM/Director	Programme Manager	Manager
Identification/assessment of controls	Risk owner	Risk owner	Risk owner	Risk owner	Risk owner
Action plan and progress	Risk owner	Risk owner	Risk owner	Risk owner	Risk owner
Escalation of risks	Principal Reporter	Chair	RM/Director	Programme Manager	Manager

The Team risk profile should include a brief description of the risk, an assessment of likelihood and impact and confirmation of the planned action to mitigate the risk.

5. Trend

Record that the risk score is Rising, Falling or Static compared to the last assessment.

6. Controls

The controls in place should be recorded by the Risk Owner. In addition there should be a statement on how the controls are operating and how this has been validated.

7. Action Plan & Timescales

The key actions required to mitigate the risks should be recorded along with a clear timescale for implementation.

8. Owner

The individual responsible for ensuring that the risk is managed and monitored over time. They should have sufficient authority to ensure the risk is effectively managed but may not be the person who implements the agreed actions.

9. Progress against Action Plan

Progress should be recorded on an ongoing basis on the register, with outstanding actions clearly marked.

10. Escalation

Risks may be escalated for a number of reasons: they can no longer be managed at local level; they are not confined to one area of the business; they cannot be managed effectively in isolation; there are correlations where one risk has an impact on another. The register should record where the risk is to be escalated:

Board

AC - Audit Committee

EMT - Executive Management Team

PB - Programme Board

SDMT - Service Delivery Management Team

RMT - Regional Management Team

HQMT - Headquarters Management Team

In line with Appendix 1 risks at team level should be escalated to RMT or the HQMT; risks at regional or HQ group level should be escalated to SDMT (Operational Risk Register) or EMT (Strategic Risk Register). Project risks should be escalated to Programme Risk Registers and where necessary the Programme Board should escalate risks to SDMT (Operational Risk Register) or EMT (Strategic Risk Register). Risks that may require to be escalated to EMT (and Board) include risks that pose a significant threat to corporate objectives, targets or resource plans, risks that are deemed intolerable or have potential for significant adverse publicity.

11. Closed risks

Risks that are no longer applicable should be recorded as 'closed' and removed from the risk register. Assessment sheets should be retained to provide an audit trail for closed risks.

Risk Management Action Plan

Action	Lead	Timescale
Implement standardised risk registers <ul style="list-style-type: none"> • Strategic Risk Register • Operational Risk Register • Programme and Project Risk Registers • Regional and overall HQ Group Risk Register 	Director of Finance Head of Practice and Policy Head of Planning Directors/Reporter Managers	October 2009 December 2009 December 2009 March 2010
Identify a tool to enable automation of the recording, tracking and management of risks at strategic and operational levels	Director of Finance	December 2009
Develop an approach to identification and management of partnership risks	Director of Finance	December 2009
Establish clear links between the risk management process and business continuity planning	Director of Finance	December 2009
Working with Directors and Reporter Managers, identify risk champions who have the responsibility to maintain local risk registers and consider the benefits of introducing a risk champion forum	Director of Finance	March 2010
Working with the Director of Human Resources, identify actions to raise awareness of risk management through training and staff induction	Director of Finance	March 2010
Review Risk Management Policy	Director of Finance	September 2010