

SCOTTISH CHILDREN'S REPORTER ADMINISTRATION
RISK MANAGEMENT POLICY

Accountable Director: Director of Support Services

Date: 20 June 2012

Recommendation:

The Board is asked to:

- 1. consider and determine its risk appetite**
- 2. approve the attached revised Risk Management Policy.**

Reason for Report:

For approval

Resource Implications:

Within approved budgets

Strategy:

Within approved plans

Consultation:

Executive Management Team
Audit Committee

Document Classification:

Not protectively marked

1. **Introduction**

- 1.1 The existing Risk Management Policy was approved by the Board in September 2009.
- 1.2 An initial review of SCRA's Risk Management arrangements was commenced by SCRA's Quality Assurance Manager on behalf of the Service Improvement Group. The review was then developed and completed by SCRA's Executive Officer.
- 1.3 The Audit Committee, at its meeting on 24 May 2012, approved the Risk Management Policy (subject to minor amendments) for submission to the Board.

2. **Revision of the Risk Management Policy**

- 2.1 The main terms of the policy document remains unchanged but it has been amended to include:
 - organisational structural changes
 - an expanded section on roles and responsibilities
 - a section on risk appetite.
- 2.2 The Audit Committee has carried out an initial assessment of its risk appetite as detailed in paragraph 8.3 and 8.4 and the Board is to consider and determine its risk appetite against the different categories of risk.
- 2.3 The individual assessment by Audit Committee members has been inserted into the table at para 8.4 for discussion.

3. **Recommendation**

- 3.1 The Board is asked to:
 1. consider and determine its risk appetite
 2. approve the Risk Management Policy.

SCRA Risk Management Policy

1. Statement on Risk Management

- 1.1 The Risk Management Policy is founded upon the core principles that risk management is:
 - central to SCRA's corporate governance and internal control arrangements
 - a key tool in the management of the organisation to assist staff to manage risk as part of their day to day workload
 - an important component in ensuring continuity of core activities and to assist SCRA to deliver its business objectives
 - is an inclusive process covering all strategic and operational risks.
- 1.2 The 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.
- 1.3 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.
- 1.4 Locality Management Teams will be responsible for developing their own risk registers and escalating risks to Area meetings and the Operational Group as appropriate.

2. Approach to Risk Management

- 2.1 The risk management policy sets out the approach to risk management and documents the roles, responsibilities of the Board, senior management and employees.
- 2.2 In addition, the policy describes the process the Board will use to evaluate the effectiveness of the Administration's internal control procedures.

2.3 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 and all managers consider the consequences of their decisions and actions from a risk management perspective
- integration of risk management into the planning and performance framework
- the process will be supported by a programme of audit and review

3. Risk Management Policy

3.1 The objectives of the risk management framework are founded on a number of key objectives to:

- ensure the delivery of core objectives within available resources
- support continuous improvement in service delivery
- inform SCRA business continuity plans
- support internal controls intended to reduce losses
- facilitate the timely identification and resolution of risks
- enable effective stakeholder communication on service delivery
- enhance SCRA's reputation and image.

3.2 The effectiveness of the Risk Management Policy will be reviewed and monitored based on the following measures:

- the extent to which SCRA is successful year on year in achieving its business objectives
- the incidents of risks which have not been recognised and documented within the Risk Management structures; or which have been inappropriately rated within the structures.

3.3 The Risk Management Policy is underpinned by a commitment to training and development in risk management and the recognition of the importance of staff responsibilities in this area.

4. Risk Management Structure

4.1 The Risk Management Structure is detailed at Appendix 1.

4.2 These arrangements reflect the organisational structure and ensures that risk is embedded throughout the organisation and allows for a straightforward and timely process to response to risk.

4.3 Information Risk Register

A separate information risk register is maintained by SCRA's Information and Security Technical Assurance Officer and owned by SCRA's Senior Information Risk Officer (SIRO) given the specific duties placed on the organisation in terms of information risks.

4.4 Joint Risk Register

SCRA and Children Hearings Scotland (CHS) will operate a joint risk register overseen by their respective Boards.

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

5.1 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 Board quarterly
- Risk Registers – the standard template (Appendix 2) should be used at strategic and locality level. The risk registers should be included in annual business plans at these levels and formally reviewed quarterly. Localities and Head Office (HO) 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 the appropriate Executive Management Team member. One overall Head Office risk register will be developed based on the risks escalated by HO 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 every six months 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 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.

6. Annual Governance Statement

6.1 The Board is responsible for the effectiveness of governance arrangements within SCRA. The Principal Reporter/Chief Executive, in preparing an annual Governance Statement for inclusion in the Annual Accounts will consider the elements in section 6.1 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

7. Risk Management Process

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

7.2 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.

7.3 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.

7.4 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.

7.5 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.

- 7.6 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.
- 7.7 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.

8. Risk Appetite

- 8.1 SCRA recognises that the organisation may be involved in activities that expose the organisation to a measure of risk.
- 8.2 The ‘risk appetite’ is defined as the amount of risk that SCRA is prepared to accept, tolerate or be exposed to at any point in time. Risk appetite is about taking well thought through risks where the long-term rewards are expected to be greater than any short term losses. Risk appetite needs to be considered at all levels.
- 8.3 SCRA has considered its risk appetite using the classifications shown in the table below:

Classification	Description
Averse	Avoidance of risk and uncertainty is a key organisational objective.
Minimalist	Preference for ultra-safe options that have a low degree of inherent risk and a potential for limited reward
Cautious	Preference for safe options that have a low degree of residual risk and limited potential for reward
Open	Willing to consider all options and chose the one that is most likely to result in success, whilst also providing an acceptable level of reward
Hungry	Eager to be innovative and to choose options offering potentially higher rewards despite greater inherent risk

8.4 The SCRA Board has to determine its risk appetite against the different categories of risk that it is exposed to as follows:-

Type of Risk	Risk Appetite	Risk Appetite Agreed (At meeting June12)
Strategic/Policy Risks		Open to Cautious
Operational/Service Delivery Risks		Minimalist to Cautious
Finance Risk		Minimalist to Cautious
Reputational/Credibility Risks		Open
Accountability/Governance Risks		Open

9. Roles and Responsibilities

9.1 Through allocating specific risk management responsibilities SCRA have created an environment where:

- risk management is integrated into decision-making arrangements, helping to create an environment for continuous improvement and learning
- the adequacy of risk assessment, control measures and action plans are regularly reviewed, taking into account the Board's risk appetite.
- The effectiveness of the risk management framework is reviewed at regular intervals and modified as necessary.

9.2 Role of the Board

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.

9.3 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.

9.4 **Role of the Audit Committee**

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.

9.5 **The Principal Reporter/Chief Executive**

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 Governance Statement which is included in the annual accounts.

In addition to overall executive responsibility for risk management the Principal Reporter/Chief Executive oversees the maintenance of the Operational Risk Register which is owned by the Operational Group.

10.6 **Senior Managers**

All senior managers are responsible for:

- implementing policies on risk management and internal control
- identifying, assessing and developing actions plans for the most significant risks faced by SCRA

9.7 **The Head of Finance & Resources**

The Head of Finance and Resources has specific responsibility for:

- day to day operation of SCRA's risk management arrangements
- regular reporting to the Executive Management Team, Audit Committee and Board on strategic risks and controls
- facilitating an annual review of the effectiveness of governance arrangements and reporting thereon to the Audit Committee

9.8 **All Employees**

All 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.

9.9 **Risk Champions**

The role of risk champions will be:

- to have a specific role of raising awareness of both the risk management process and specific risks.
- to provide local staff with advice and support on risk management issues
- to work with other risk champions to bring consistency of approach to risk management, share knowledge and experience
- to assist with making the necessary changes happen – both process and cultural changes.

9.10 **The Senior Information Risk Owner (SIRO)**

The Senior Information Risk Owner (SIRO) owns the information risk policy and provides advice to the Accountable Officer on the content of the Governance Statement relating to information risk.

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
- Quality Assurance, 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	Executive Management Team	Operational Group	Localities/Head Office	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	Head of Finance & Resources	Chair	Senior Operational Manager/Director	Programme Manager	Manager (update risk profile)
Reporting risks	Head of Finance & Resources	Chair	Senior Operational Manager/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	Senior Operational Manager/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:

In line with Appendix 1 risks at team level should be escalated to LMT's; risks at area or HO group level should be escalated to the Operational Group (Operational Risk Register) or Executive Management Team (Strategic Risk Register). Project risks should be escalated to Programme Risk Registers and where necessary the Programme Board should escalate risks to the Operational Group (Operational Risk Register) or Executive Management Team (Strategic Risk Register). Risks that may require to be escalated to Executive Management Team (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.