



## **RISK MANAGEMENT FRAMEWORK 2015**

### **1.0 INTRODUCTION**

Risk management is an important aspect of the Association's decision making process and having a clear policy on risk and a robust but practical risk management process are essential components of such a strategy.

This strategy has been developed in accordance with a range of government guidance, EVH good practice, CIPFA publications and has been regularly reviewed following independent scrutiny via audit reports undertaken by the Association's internal auditors.

Before taking any decision which will have a significant impact on the Association's future the following issues are considered:-

- ✓ Is it permissible in terms of the Association's governing rules and regulations?
- ✓ Is it consistent with Regulatory Standards, existing policy and recommended good practice?
- ✓ Is it consistent with the Association's Corporate Management Plan?
- ✓ How would it impact on the ability to achieve organisational objectives?
- ✓ What level of risk is involved in the proposed course of action and can this be minimised? Are the risks proportional to the opportunity presented?
- ✓ Do sufficient resources exist and what are the short, medium and long-term consequences?
- ✓ What is the opportunity cost of the proposed course of action?
- ✓ Is there the requirement for an exit strategy and if so is there one?
- ✓ Is this the right time to be undertaking the activity?

Careful assessment of the above issues will ensure that the Association's decisions are taken on a sound and consistent basis.

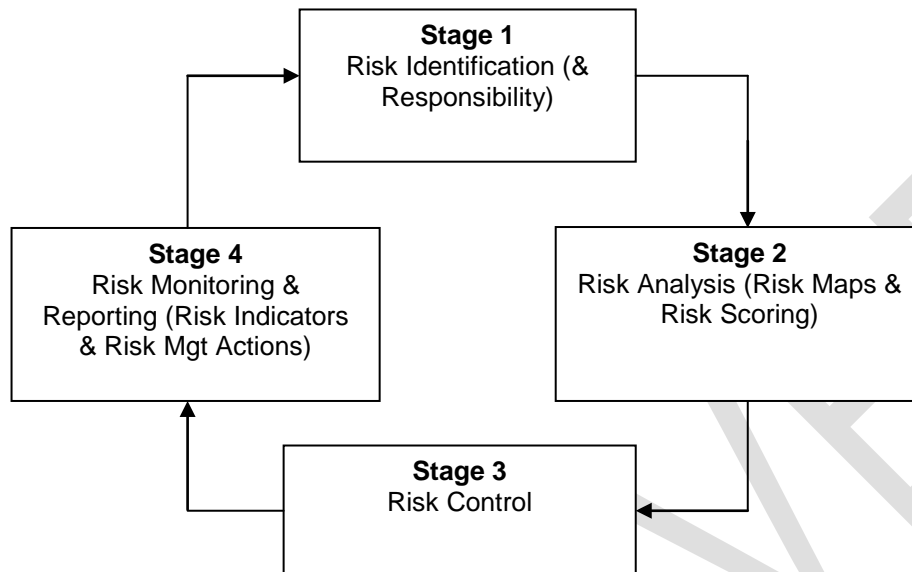
### **2.0 RISK MANAGEMENT CYCLE**

The Association applies a risk management cycle to identify, analyse, control and monitor the various risks it faces (**see Diagram 1 on page 2**).

This document sets out how this is undertaken. The aim is to ensure that, as far as possible, all significant risks facing the Association are identified and managed. The Association's Director and Management Committee are responsible for ensuring that the cycle is rigorously applied. The Association's internal auditor, on behalf of the Management Committee, will review the effectiveness of risk management as part of the internal audit programme.

Risk management is an active process that requires co-operation by all managers and employees. The Association aims to make all employees aware of these risks through training and communication.

### **Diagram 1: The Risk Management Cycle**



#### **Stage 1 – Risk Identification (& Responsibility)**

Identifying and understanding the hazards and risks facing the Association is crucial if informed decisions are to be made about policies, procedures or services. Risks are identified based on past experience and events elsewhere. Responsibility for the operational monitoring of particular risks is clearly identified at this stage.

#### **Stage 2 – Risk Analysis (Risk Maps & Risk Scoring)**

Once risks have been identified a risk map is created to enable each to be systematically measured. A scoring system has been developed to enable risks to be prioritised and for their movement to be measured over time. Analysis will draw heavily on available data on the potential frequency of events and their consequences. If a risk is seen to be significant then steps will be taken to control it or at least minimise its potential impact.

#### **Stage 3 – Risk Control**

Risk control is the process of taking action to minimise the frequency of the risk event occurring and/or reducing the impact of the consequences should it occur. Risk control requires managers to identify and implement proposals for action or revise operating procedures. There may also be scope to transfer risks to consultants/ contractors or buy in appropriate insurance cover for specific risks.

#### **Stage 4 – Risk Monitoring & Reporting (Risk Indicators & Risk Management Actions)**

The risk management process does not end with the risk control proposals / procedures in place. The Association monitors and reviews the effectiveness of these controls in managing risk. To this end a process of monitoring the Association's exposure to risk is in place and a Corporate Risk Register is reported to the Management Committee on a quarterly basis and a key performance indicator was introduced in 2009 to monitor the extent of Risk Management Actions being completed on time.

### **3.0 THE RISK MANAGEMENT PROCESS**

The risks facing the Association are identified through formal risk assessments.

For each identified risk, the following is undertaken;

- ✓ Responsibility - identifying who within the Association is responsible for monitoring the risk;
- ✓ Risk Consequences – identifying what the consequences to the Association would be should the risk emerge;
- ✓ Raw Risk - calculating the risk score (measuring the likelihood and impact on both the particular objective (which the proposed action refers) and the Association with no controls in place
- ✓ Control Measures – identifying controls / procedures aimed at reducing the likelihood / impact to a more acceptable level;
- ✓ Risk Indicators – identifying the triggers / warning signals which may indicate increased exposure to the risk;
- ✓ Risk Management Actions – actions identified to specifically reduce exposure to the risk.
- ✓ Net / Residual Risk – calculating the risk score with controls in place.

The above risk assessment process builds on the Association's existing management arrangements.

#### **Strategic v Operational Risks**

A comprehensive assessment of strategic (business critical) and operational risk is undertaken on an annual basis as part of corporate management and departmental service planning process and this is supplemented throughout the year by quarterly reviews reported to Committee. Any additional risks identified throughout the year are incorporated into the Risk Management Process.

There are a number of risks inherent to housing management, property maintenance, development, finance and corporate services functions of the Association and it is recognised that these cannot be considered in isolation from each other. Where certain risks cross operational or departmental boundaries these are clearly identified in both the Corporate Management Plan and individual departmental service plans.

### **4.0 RISK ASSESSMENTS**

As indicated above a sophisticated framework for assessing, managing and controlling risk throughout the organisation is currently in place.

Each departmental manager now undertakes a departmental risk assessment as part of the departmental service plan preparation process to ensure that as many operational activities as possible can be fulfilled or undertaken with minimal risk attached. This area of activity will continue to be developed in line with changing organisational circumstances.

Regular work in relation to general and operational risk assessments in conjunction with ACS Physical Risk Control Ltd will ensure that robust and up to date systems and practices are introduced and maintained and provide a safe and healthy working environment for those working on behalf of the Association.

## 5.0 INTERNAL AUDIT RISK MAPPING

The Associations internal audit process is inextricably linked to the process of risk management and internal auditors now recommend 3 year programmes based on consideration of a detailed risk mapping exercise which highlights the key areas of risk facing the Association.

## 6.0 ROLES AND RESPONSIBILITIES

The roles and responsibilities for risk management are set out below:

Responsibility	Role
Management Committee	<ul style="list-style-type: none"> <li>✓ To take overall responsibility for the development, implementation and review of the risk management framework; and to oversee the effective management of the Strategic Risks presented to the Management Committee by the Director</li> </ul>
Sub Committees	<ul style="list-style-type: none"> <li>✓ To take responsibility for the development, implementation and review of the risks relative to particular aspects of business and to oversee the effective management of Operational Risk as reported to sub Committees by the Heads of Service.</li> </ul>
The Director	<ul style="list-style-type: none"> <li>✓ To ensure that risk management framework is implemented on a day-to-day basis and that risk is managed effectively across the Association.</li> <li>✓ To maintain the Associations Corporate Risk Register which deals with Strategic Risks only?</li> <li>✓ To manage operational risks relating to human resources and legal matters.</li> </ul>
Head of Customer Services	<ul style="list-style-type: none"> <li>✓ To manage customer services aspects of risk effectively in by completing operational risk assessments and maintaining associated risk maps and report these within quarterly departmental plan update reports to the relevant sub Committee on a quarterly basis.</li> </ul>
Head of Finance and Corporate Services / Depute Director	<ul style="list-style-type: none"> <li>✓ To manage risk effectively in the support service areas of finance and corporate governance by completing risk assessments and maintaining associated risk maps and report these within quarterly departmental plan update reports to the relevant sub Committee on a quarterly basis.</li> <li>✓ To develop and review the approach to risk financing</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>✓ To ensure that the internal controls are tested annually as part of the internal audit programme agreed with the Finance, Audit &amp; Corporate Governance Committee</li> </ul>
Employees	<ul style="list-style-type: none"> <li>✓ To participate in the development and review of risk assessments associated with their area of operation.</li> </ul>

## 7.0 RISK FINANCING

Risk financing is an important element of risk management. The Head of Finance and Corporate Services liaises with the Director and the Head of Customer Services

to determine an appropriate balance between any potential loss arising from any particular course of action that are to be financed through external insurance cover, and those to be met directly from its own resources (self-insurance). The Director and Management Committee consider this prior to taking any strategic decision. The approach selected will be influenced by:

- ✓ The Association's capacity to meet the direct cost of exceptional and significant value risks;
- ✓ Its previous loss experience and
- ✓ The commercial rates offered by the insurance market.

## 8.0 **ALLOCATING RESOURCES TO RISK MANAGEMENT**

The Association is fully committed to resourcing the effective management of risk and these are required for the following inter-related purposes:

- ✓ To raise awareness of risk management eg training;
- ✓ To undertake risk assessments;
- ✓ To pay for costs relating to actions taken to minimise risk and
- ✓ To implement risk control / risk management actions.

Resources may relate to specific costs associated with minimising the impact of particular risks eg cost of performance bonds for building contracts, insurance or engaging external organisations to undertake specific risk assessments or the cost of staff time allocated to particular tasks aimed at minimising risk.

Resources required are identified through the Association's operational planning and budgeting process and are clearly set out in the Corporate Management Plan and /or relevant departmental service plan. They are determined as part of the strategic and operational risk assessment process.

## 9.0 **REVIEW**

The risk management framework will be subject to review at least every 3 years based on the Association's experience of managing strategic and operational risks. The risk management process itself however will be reviewed on a quarterly basis as part of the Association's management reporting procedures.

George Tainsh  
Director

**11th June 2015**

Policy Review Consultation Process

Considered by the Management Team	11 <sup>th</sup> June 2015
Reviewed by the Finance, Audit & Corporate Governance Committee	18 <sup>th</sup> June 2015
<b>APPROVED BY THE MANAGEMENT COMMITTEE</b>	<b>25<sup>th</sup> June 2015</b>
<b>Date of Next Review</b>	<b>June 2018</b>