



**Paisley HA & Paisley South Property Services
Group Policy**

Risk Management Policy

**Issue Date: January 2018
Review Date: April 2023
Approved: TBC**

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1. PURPOSE OF THIS DOCUMENT

This Risk Management Policy (the Policy) is a group policy and must be complied with by both Paisley Housing Association and Paisley South Property Services (PHA & PSPS). It forms part of their internal control and corporate governance arrangements.

The Policy explains the group's underlying approach to risk management, documents the roles and responsibilities of the governing body, the Group Audit Committee, the management team and staff. It also outlines key aspects of the risk management process and identifies the main reporting procedures.

In addition, it describes the process the governing body (i.e. the board) will use to evaluate the effectiveness of the organisation's internal control procedures.

2. WHY WE NEED TO MANAGE RISK?

The focus on risk management as part of the process of good governance, effective business planning and safeguarding stakeholder assets (**demonstrate effective governance and sound financial management and deliver good outcomes for tenants**) takes account of the Scottish Housing Regulator's Regulatory Standards of Governance and Financial Management (2012).

The Regulator requires that PHA has an effective risk management and internal controls assurance framework in place. Standard 4.3. The governing body identifies risks that might prevent it from achieving the RSL's purpose and has effective strategies and systems for risk management and mitigation, internal control and audit.

We demonstrate this through the annual 'Internal Controls Assurance' approved by the Board and included in the financial statements of PHA. An effective Risk Management Policy is an integral part of this assurance and is crucial to support the statement. PHA & PSPS will continue to focus on embedding risk management throughout the organisation by putting in place a pro-active risk management framework

Risk Management is beneficial to the group as it:

- helps us to be more flexible and responsive to new internal / external demands;
- helps PHA & PSPS make informed decisions;
- provides assurance to the governing body, the Group Audit Committee and the PHA Senior Management Team;
- reduces incidents and other control failures; and
- helps in the achievement of PHA & PSPS's key targets and priorities

Managing the risks to our business objectives reduces the chance of us having to deal with the unexpected and ensures proactive management rather than reactive crisis management. At a time when resources are limited it is especially important to reduce the number of unwanted surprises.

The framework for managing risk sets out the process through which risks will be identified, assessed, controlled, monitored and reviewed. The framework is designed to:

- Integrate risk management into the culture of PHA & PSPS;
- Raise awareness of the need for risk management;
- Encourage a positive approach to risk management;
- Support improved decision making, innovation and performance, through a good understanding of risks and their likely impact; and
- Manage risk in accordance with best practice.

3. DEFINITIONS

What is a risk?

“The threat or possibility that an action or event will adversely affect an organisation’s ability to achieve its objectives or a business opportunity”.

What is risk management?

“Risk Management is the process which aims to help PHA & PSPS understand, evaluate and take action on all our risks with a view to increasing the probability of our success and reducing the likelihood of failure”.

4. RISK MANAGEMENT AIMS AND OBJECTIVES

- Provide continuous high quality services to the customers & tenants of PHA & PSPS.
- Use appropriate identification and analysis techniques to identify risks to PHA & PSPS and determine the long and short-term impact.
- Prioritise and implement economic control measures to reduce or remove risks.
- Protect and promote the reputation of the group.
- Through the use of training and communication, develop and maintain a structured risk management culture, where risk is considered in the decision making process and the everyday working situations of all staff.
- Maintain a system for recording and providing accurate, relevant and timely risk management information.
- Reduce the long-term cost of risk to the group.
- Report on and review the Risk Management Policy in accordance with best practice guidelines.

5. UNDERLYING APPROACH TO RISK MANAGEMENT

The following key principles underlie the group’s approach to risk management and internal control:

- The governing bodies have responsibility for overseeing risk management within PHA & PSPS relevant to their organisation ;
- An open and receptive approach to solving risk problems is adopted by the Board;
- The PHA Director and Senior Management Team support, advise on and implement policies approved by the Management Committee;
- Risk management forms part of PHA & PSPS ’s system of internal control;

- PHA & PSPS make conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;
- All staff are responsible for encouraging good risk management practices within their areas of responsibility.

6. ROLES AND RESPONSIBILITIES - COMMITTEE

ROLE OF THE GOVERNING BODY

The governing body has a fundamental role to play in the management of risk.

Its role is to:

- Set the tone and influence the culture of risk management within PHA & PSPS.
This includes:
 - determining whether PHA & PSPS is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue
 - determining what categories of risk are acceptable and which are not
 - setting the standards and expectations of staff with respect to conduct and probity.
- Determine the appropriate risk appetite or level of exposure for PHA & PSPS.
- Approve major decisions affecting PHA & PSPS's risk profile or exposure.
- Monitor the management of significant risks to reduce the likelihood of unwelcome surprises.
- Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
- Annually review the group's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

GROUP AUDIT COMMITTEE

The Group Audit Committee will at each of the scheduled meetings receive an update report on PHA & PSPS's Strategic Risks and Operational Risks in accordance with the reporting cycle (appendix D). Its role is to:-

- Monitor the management of high level risks
- Review the Strategic & Operational Risks in accordance with the review cycle (appendix D) at each of its scheduled meetings
- Review the Risk Appetite of PHA & PSPS and make recommendations to the relevant governing body.
- Satisfy itself that all known risks are being actively managed, with the appropriate controls in place and working effectively
- Annually review the group's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

7. ROLES AND RESPONSIBILITIES – STAFF

ROLE OF THE PHA MANAGEMENT TEAM - STRATEGIC

Role

- To ensure that PHA manages risk systematically, economically and effectively through the development of an all-encompassing Risk Management policy.
- To support PHA in the development, implementation and review of the Risk Management policy.
- To share experience on risk, risk management and policy implementation across the group.

Responsibilities

- To acquire a knowledge of risk management and its benefits.
- Monitor, evaluate and update PHA PSPS 's Strategic Risk Register at least once a quarter
- Review the Risk Management policy at least every 5 years.
- Report to each meeting of PHA Audit Committee on the status of risks and controls.
- Ensure risk management and its processes are disseminated and are embedded throughout PHA & PSPS
- Continuous development, promotion & implementation of risk management throughout PHA & PSPS.
- Preparation of relevant business continuity/contingency plans in those areas that are considered high risk.
- To review any training requirements to enable the development & implementation of risk management.

The Director will take overall responsibility for the administration and implementation of the risk management process across the group.

THE ROLE OF MANAGEMENT TEAM - OPERATIONAL

To contribute to the management of risk in their own service area / department and;

- To review and update their risks at section meetings in accordance with the reporting cycle (Appendix D) ;
- To contribute to the development of risk management from a function specific perspective;
- To disseminate the detail of the policy and allocate responsibilities for implementation of the policy in each service area / department;
- To recommend the necessary training on risk management for the employees in the section;
- To share relevant information with other service areas / departments;
- To identify any risk management issues in their service area / department; and
- To ensure that the policy is implemented across their service areas / departments.

ALL STAFF REGARDING RISK MANAGEMENT

All staff have a duty to ensure that risk is managed effectively in their area. This includes engagement with colleagues through formal and informal processes.

All staff have a responsibility for identifying risks in performing their daily duties and taking action to limit the likelihood and impact of these risks.

All staff have a responsibility to provide feedback to Managers on their experience of implementing risk management and their perceptions of the effectiveness of the approach

8. RISK APPETITE

The success of both PHA & PSPS is a result of effectively managing our key risks, which in turn support the achievement of our key targets and priorities. The group acknowledges that an element of risk exists in all activity it undertakes.

Risk appetite is defined as the amount of risk an organisation is prepared to tolerate or be exposed to, should the risk be realised. Too great a risk appetite can jeopardise a project or activity whilst too little could result in lost opportunity.

PHA & PSPS's risk threshold is when the risk is ranked category C or above after controls have been applied ('Red' or 'Amber' on the risk scoring methodology – Appendix B). Above this threshold, PHA & PSPS will actively seek to manage the risk and will prioritise time and resources to reducing, avoiding or mitigating these risks.

The Audit Committee will agree the risk appetite (what level of risk is acceptable) for PHA & PSPS and the appropriate level of risk mitigation activity for each risk in this category.

A risk owner will be designated for each risk on the risk register, where appropriate other senior staff may be designated as risk support. Risk owners will ensure that their action plan addresses the risks identified and will be required to monitor the status of their portfolio of risks in accordance with the reporting cycle (appendix D). Risk owners will be reviewed at least on an annual basis.

9. RISK MANAGEMENT PROCESS

The group's risk management process features the following five steps:

Step 1 – Identify Risks

Using PHA & PSPS's (Strategic) or the Team (Operational) objectives, identify the potential threats that could jeopardise their achievement and in turn look at ways to manage these risks.

Risk identification attempts to identify our exposure to uncertainty. Team managers/leaders are ultimately responsible for identifying the risks that their teams may face.

Having identified the risks, these are recorded on the Risk Register template. Where appropriate however, a project level risk register will be maintained for a specific strategic initiative such as a new capital project.

Risks shall be identified at all levels of PHA & PSPS:

- **Strategic (Committee/Board level)**- Where threats and opportunities could affect decisions on PHA & PSPS 's strategic objectives;
- **Operational (Team Level)** - Where threats and opportunities could affect decisions on operational actions to meet PHA & PSPS 's strategic objectives;
- **Project Level** - Where threats and opportunities could affect the delivery of project targets. (E.g.: entering into major service contracts or partnerships). Before committing to a new business activity, appropriate specialist advice will be sought to supplement our own expertise where appropriate – this may include seeking legal and other professional advice.

Equalities

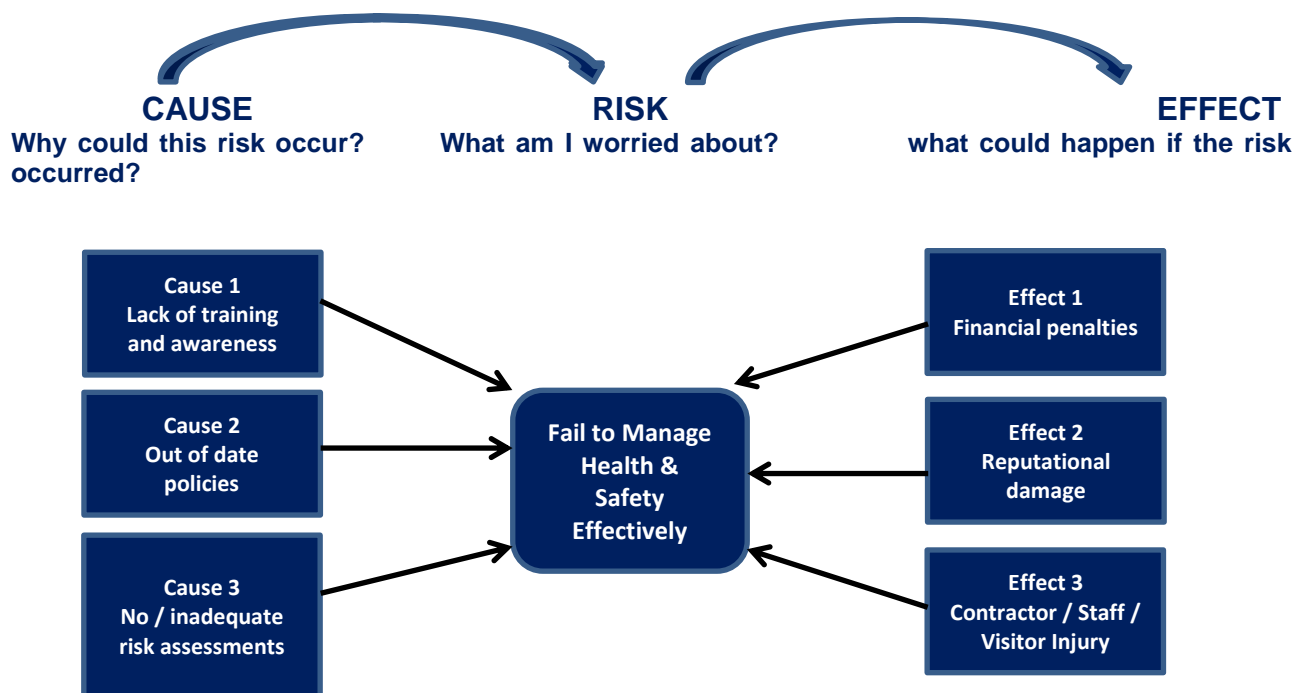
When identifying risk all activities undertaken by PHA & PSPS must be assessed for their compliance with our Equalities and Diversity Policy. We will seek to ensure that there is no risk of discrimination or unfair treatment as a result of our actions.

Risks, Cause and Effect:

Risks are best expressed using a risk, cause and effect relationship.

Understanding the most important 'cause' helps formulate the best possible actions to manage an uncertainty (i.e. treating the root cause instead of the symptom). Understanding the most important effect helps formulate the best possible contingency plan in case an uncertainty does happen with negative impact.

For example: The Butterfly Effect:



From this example we can clearly see what the risk is and also 3 potential causes as to why this risk could occur. We can also see 3 potential effects to PHA & PSPS if this risk was to materialise, therefore if this risk was to be placed on a risk register we would expect to see 3 controls in place:-

| | |
|------------------|---|
| Control 1 | PHA & PSPS has an extensive and up to date training programme and induction programme that provides all staff with regular training on Health & Safety |
| Control 2 | All Health & Safety policies are held in Central Records and are up to date and all staff have access to this. |
| Control 3 | PHA & PSPS uses a consultant Health & Safety Specialist that undertakes regular audits and inspections to ensure PHA & PSPS are compliant with the up to date legislation |

Step 2 – Assess Risks

Emerging risks will be identified and discussed by PHA Management Team on an on-going basis. Any information that impacts upon PHA or PSPS’s risk profile shall be formally assessed and appropriate action identified and monitored in line with the framework identified in Appendix B

Risks are assessed by looking at the likelihood of the risk occurring and the impact that the risk would have if it were to occur.

Many controls are in place to minimise identified risks. However, in the first instance, risks are assessed as though there are no controls in place i.e. the worst case scenario or if the controls in place were ineffective. This is known as the ‘**Inherent**’ risk level. The Inherent risk level is recorded in the risk register.

In most scenarios however, there will be controls in place to minimise the impact or likelihood of the identified risk occurring. Risks are therefore assessed based on the Impact and likelihood of the risk occurring considering that there are mitigating controls in place. This is known as the ‘**Residual**’ risk level.

PHA & PSPS’s risk register template at Appendix C shows how the Inherent and Residual scores are formatted

Each risk is allocated a risk owner / risk lead whose name is recorded on the risk register. Guidance on how the Impact and likelihood levels of a risk should be assessed can be found in Appendix B

Step 3 – Prioritise Risks

Some risks command a higher priority due to their likelihood and impact.

Both the Inherent and Residual likelihood and impact levels of each risk are plotted and prioritised using a 5 by 5 matrix (**See Appendix B**).

A ‘traffic light’ system is then used to show Category A to E risks. This results in the prioritisation of both Inherent and Residual risks, which are recorded in the Risk Register.

Step 4 – Control Risks

Once the category of a risk has been assessed PHA & PSPS’s risk appetite should indicate how the risk is then managed. In managing the risk there will be four categories of response – transfer, treat, terminate and tolerate. Details of each response can be found in the following table:

| Response | Description |
|-------------------|--|
| Transfer | Risks are transferred to an insurer, e.g., legal liability. However it must be remembered that this is not possible for all risks. Some service delivery risks can also be transferred to a partner or contractor by way of a formal contract or written agreement. Some aspects of risk however cannot be transferred, for example those that have a reputational impact. |
| Treat | Risks need additional treatments (controls) to reduce the likelihood and impact levels. This response is most likely where the risk has been identified as a high risk due to the likelihood and impact levels and FPHA & NTC has the ability to introduce further controls that will reduce the likelihood and/or the impact of a risk. |
| Terminate | A risk maybe outside FPHA & NTC ’s risk appetite and FPHA & NTC does not have the ability to introduce additional controls to reduce likelihood and/or impact of the risk therefore there is no other option than to terminate the activity generating the risk. |
| Tolerate (accept) | The controls in place reduce the likelihood and impact levels to an acceptable level (within appetite) and the introduction of additional controls would be cost-benefit prohibitive. It is therefore decided to <i>tolerate</i> the risk. |

Red Risks

- Risks that fall in to the area highlighted as **15** and above will require immediate attention. The status of the risk will require it to be monitored with regard to effect on PHA & PSPS’s activities and the progress of action taken to ensure its effective reduction.

Amber Risks

- Risks that fall in to the area highlighted as amber may require action and will be actively be monitored for any changes in the risk or control environment which may result in the risk attracting a higher score.

Yellow Risks

- Risks that fall in to the area highlighted as yellow will require to be monitored but do not require actions

Green Risks

- Risks that fall in to the area highlighted as green will require annual review only, but no further action.

Risk owners are responsible for:

- ensuring that appropriate resources and importance are allocated to the process;
- confirming the existence and effectiveness of the mitigating controls and ensuring that any proposed mitigating actions are implemented;
- Providing assurance that the risks for which they are Risk Owner are being effectively managed.

Step 5 – Assurances

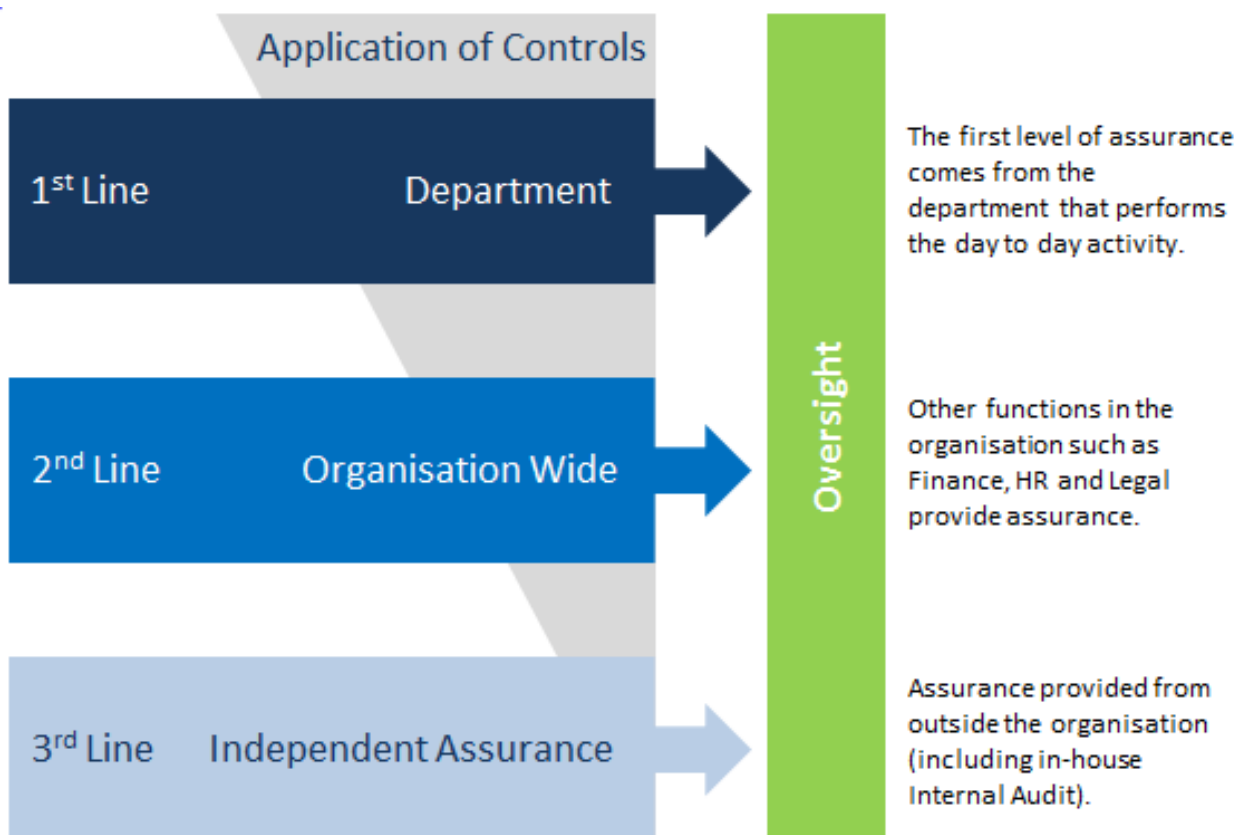
PHA & PSPS will identify and implement appropriate controls to manage the risks identified. It will also implement processes to give assurance that these controls are working effectively.

What is Assurance?

| | |
|-------------------|---|
| Assurance: | |
| Provides: | “Confidence” / “Evidence” / “Certainty” |
| To: | Team Leaders / Management Team / The Group Audit Committee / the governing body (individually and collectively) |
| That: | That what needs to be done (strategically and operationally) is being done |

1st, 2nd and 3rd Lines of Assurance

The assurances that PHA & PSPS receives can be broken down into the three line model as illustrated below



10. TRAINING

PHA & PSPS will support the provision of training and briefing sessions for relevant staff & Board Members as required. Guidance and support will also be provided by PHA & PSPS through the provision of written procedures/guidance notes from time to time and the offer of support from relevant staff.

11. RISK MANAGEMENT AS PART OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control incorporates risk management. The system encompasses a number of elements that together facilitate an effective and efficient operation, enabling PHA & PSPS to respond to a variety of operational, financial and commercial risks. These elements include:

| | |
|--|--|
| <i>Policies and Procedures</i> | Attached to significant risks (e.g. Fire / Health & Safety) are a series of policies that underpin the internal control process. Written procedures support the policies where appropriate |
| <i>Reporting</i> | The Management Team and the Group Audit Committee receive a number of key reports on a regular basis which allow for the monitoring of key risks and their control – e.g. monthly spend reports management accounts/ Quartely Risk Report |
| <i>Business Planning and Budgeting</i> | The business planning and budgeting process is used to set objectives, agree action plans and allocate resources – these take account of risk. Progress towards meeting business plan objectives is monitored regularly |
| <i>Project Management</i> | All approvals for the execution of new projects include an examination of risk in accordance with the risk appetite of the governing body set out in this policy. |
| <i>Audit Committee</i> | The Group Audit Committee is required to report to the governing body on internal controls and to alert members to any emerging issues. As part of this function the Group Audit Committee oversees internal audit and external audit. It will review of the effectiveness of the internal control system in its Annual Report to the Board. |
| <i>Internal Audit Programme</i> | Internal audit is an important element of the internal control process. The annual internal audits should be set based on a risk based approach. |
| <i>External Audit</i> | External Audit provides feedback through the Management Letter which will be presented to the Group Audit Committee on the operation of the internal financial controls. |
| <i>Third Party Reports</i> | On occasions other agencies and consultants will provide reports which will make reference to the effectiveness of the internal control systems |

12. ANNUAL REVIEW OF EFFECTIVENESS

The governing body is responsible for ensuring that there is an annual review of PHA & PSPS's risk management processes, (this will be undertaken initially by the Senior Management Team and reported to the Group Audit Committee by the Finance Manager) including on-going identification and evaluation of significant risks and the allocation of resources to address areas of high exposure.

The governing body will:

- Review PHA/PSPS's track record on risk management and internal control over the previous year.
- Consider the internal and external risk profile of the coming year and consider if current internal controls are likely to continue to be effective.

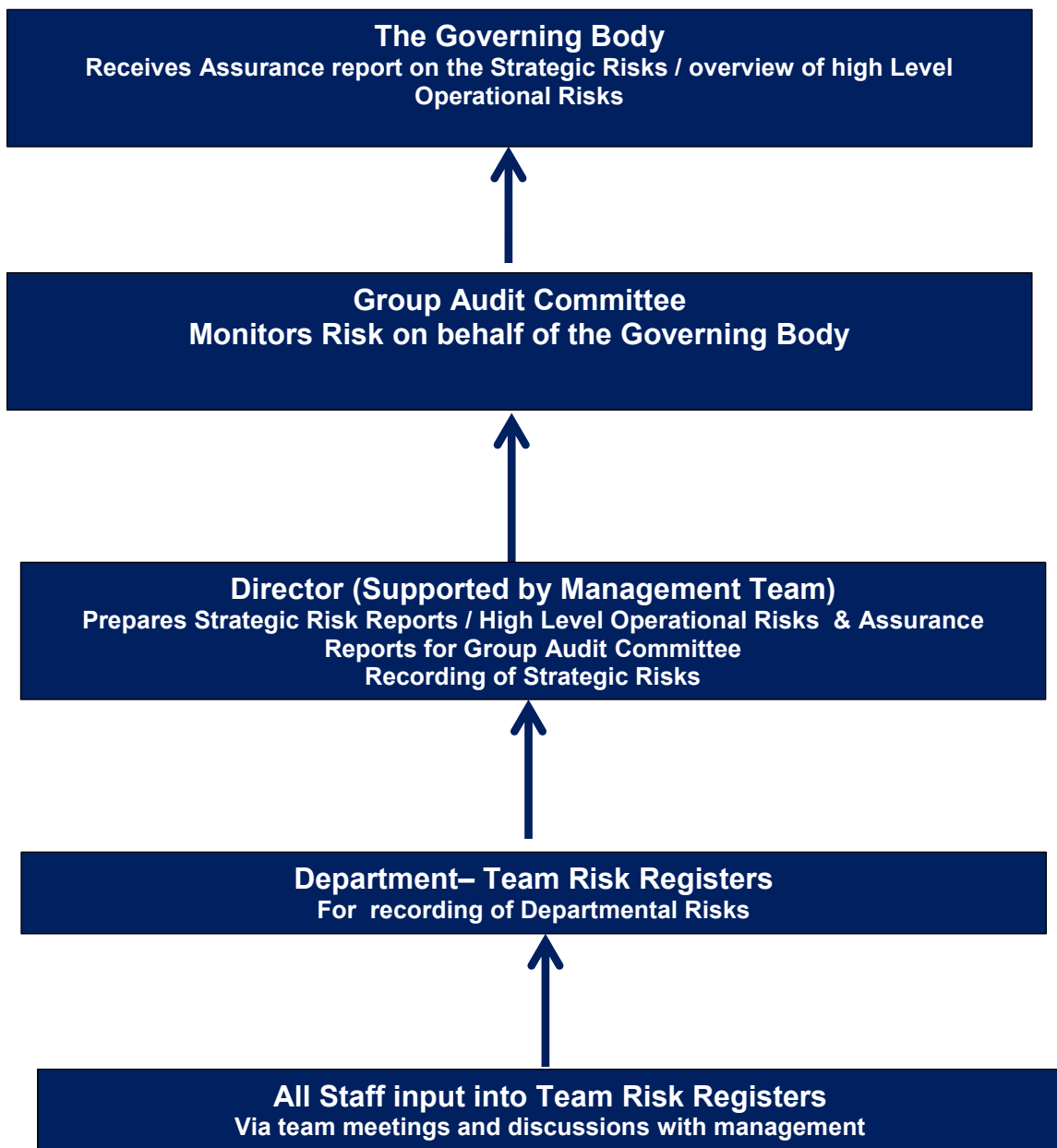
In making its decision the governing body will consider the following aspects:

- **Control Environment**
 - PHA & PSPS 's objectives and its financial and non-financial targets
 - Organisational structure and calibre of the Management Team.
 - Culture, approach and resources with respect to the management of risk
 - Delegation of authority within PHA & PSPS.
- **On-going identification and evaluation of risk**
 - Timely identification and assessment of risks, prioritisation of risks and the allocation of resources to address areas of high exposure
- **Information and Communication**
 - Quality and timeliness of information on risks, the time it takes for control breakdowns to be recognised or new risks to be identified.
- **Monitoring and Corrective Action**
 - Ability of PHA & PSPS to learn from its problems.
 - The commitment and responsiveness with which corrective actions are implemented.

The Management Team will annually review the effectiveness of PHA & PSPS's internal control system.

A full Committee Assurance report will be produced annually for consideration initially by the Group Audit Committee who will then agree a summary report to the Board.

APPENDIX A - Risk Management Reporting and Escalating



APPENDIX B – Risk Matrix and Scoring Criteria –

| RISK | Likelihood | | | | |
|-----------------------|-------------------|-----------------|-----------------|---------------|-----------------------|
| Impact | 1 | 2 | 3 | 4 | 5 |
| | Remote | Unlikely | Possible | Likely | Almost Certain |
| 5 Catastrophic | 15 | 19 | 22 | 24 | 25 |
| 4 Significant | 10 | 14 | 18 | 21 | 23 |
| 3 Moderate | 6 | 9 | 13 | 17 | 20 |
| 2 Minor | 3 | 5 | 8 | 12 | 16 |
| 1 Negligible | 1 | 2 | 4 | 7 | 11 |

| Risk Scores | Overall Risk Rating | Review |
|--------------------|----------------------------|------------------|
| 20 - 25 | A | Monthly |
| 15 - 19 | B | Quarterly |
| 11 - 14 | C | Every 3-6 Months |
| 7 - 10 | D | Every 6-9 Months |
| 1 - 6 | E | Every 12 Months |

IMPACT

| Rating | Rating Scale | Safety | Reputation | Media attitude | Scottish Housing Regulator | Legal Action | Staff | Criminal (including Cyber) | Direct Loss | Regulatory / Industry Status | Service Quality |
|---------------------|--------------|--|--|--|---|--|--|---|--------------------------------|--|---|
| NEGLIGIBLE | 1 | No risk of injury. H&S compliant. | External Stakeholders not impacted or aware of problem | No adverse media or trade press reporting. | High compliance standards recognised and rates RSL as Low Risk | Unsupported threat of legal action | Minimal effect on staff. | High control standards maintained and recognised. | Between 0-£10,000 | No or little change to regulation in recent history/ near future. | Negligible effect on service quality. Loss of core service for less than 1 day |
| MINOR | 2 | Small risk of minor injury. H&S documents not regularly reviewed. | Some external Stakeholders aware of the problem, but impact on is minimal. | Negative general Housing Association article of which PHA or PSPS is mentioned | Regulator rates RSL as Low Risk but verbal comments received | Legal action with limited potential for decision against PHA | Potential for additional workloads intruding into normal non-working time. | Attempted unsuccessful access to operational systems; minor operational information leaked or compromised. | Between £10,001 and £100,000 | Limited recent or anticipated changes | Marginally impaired – slight adjustment to service delivery required Loss of a core service for less than 1week |
| MODERATE | 3 | High risk of injury, possibly serious. H&S standards insufficient / poor training. | A number of Stakeholders are aware and impacted by problems. | Critical article in Press or TV. Public criticism from industry body. | Regulator rates RSL as Medium Risk Findings in written examination report. Potential SHR intervention | Probable settlement out of court | Increase in workloads. Intrusion into normal non-working time. | Logical or physical attack of operational systems. | Between £100,001 and £250, 000 | Modest changes recently or anticipated | Service quality impaired – changes in service delivery required to maintain quality Loss of a core service for more than 1week |
| SIGNIFICANT | 4 | Serious risk or injury possibly leading to loss of life. H&S investigation resulting in investigation and loss of revenue. | Significant disruption and or Cost to Stakeholders / third parties. | Story in multiple media outlets and/or national TV main news over more than one day. | Regulator rates RSL as High Risk Multiple or repeat governance failings results in SHR intervention | Law suit against PHA &PSPS for major breach with limited opportunity for settlement out of court | Significant injuries, potential death. Major intrusion into staff's time. | Police investigation launched; operational data or control systems may be compromised. | Between £250,000 and £500,000 | Potential intervention by lead regulator. Significant changes to industry | Significant reduction in service quality experienced Loss of all service for more than 1week |
| CATASTROPHIC | 5 | Multiple fatalities or seiuos impairment. H&S breach causing serious fine, investigation, legal fees and possible stop notice. | Stakeholders / Third parties suffer major loss or cost. | Governmental or comparable political repercussions. Loss of confidence by public. | Action brought against PHA or PSPS for significant governance failings Forced merger | Action brought against PHA &PSPS for significant breach. | Deaths and/or major effect on staff lives. | Major successful fraud; prosecution brought against PHA & PSPS and Exec for significant failure; Systems totally compromised. | Over £500,000 | Major complex changes to industry Intervention on behalf of the Lead regulator | Complete Failure of Services. Loss of all service for more than 2weeks |

| LIKELIHOOD | | | | |
|-----------------------|---------------------|--|--|---------------------|
| Rating | Rating Scale | Likelihood | Example of Loss event Frequency | Probability |
| RARE | 1 | This will probably never happen / recur | 10 years or less frequently | <5% probability |
| UNLIKELY | 2 | Do not expect it to happen / recur but it is possible it may do so | Once every 5 years | 5-24% probability |
| POSSIBLE | 3 | Might happen or recur occasionally | Once every 2 years | 25%-49% probability |
| LIKELY | 4 | Will probably happen /recur but it is not a persisting issue | Annually | 50%-7% probability |
| ALMOST CERTAIN | 5 | Will undoubtedly happen /recur, possibly frequently | At least annually | >75%+ probability |

APPENDIX C – Risk Register Template

Example Risk Register with Assurances and Action Plan

| 1. Strategic | | | | | | | | | | | |
|--------------|---|--|----------------------|---|--|--|--|-----------------|----------------------|---|--|
| Risk Ref | Risk Title | Cause & Effect | Inherent Risk Rating | Risk Control | 1st Line | 2nd Line | 3rd Line | Assurance Level | Residual Risk Rating | Action Required | Progress Notes |
| SRR 1 | RECRUITMENT & RETENTION - Fail to Recruit & Retain the right people, including Committee members Risk Owner Risk Lead: Last Updated: 01 Jun 2016 | Cause - Culture does not promote or nurture talent. (TO4) - Organisation cannot compete financially or offer similar benefits compared to other employers - Unforeseen personal crisis - Accusations of corruption or fraud (RT6) - Family commitments - Sudden death - An action taken by a manager / director or failure in governance. (OP3) - Fail to comply with employment legislation & procedures (OP4) Effect - Loss of knowledge - key relationships are lost - Loss of potential future leaders - Financial costs of recruitment - Reputational damage - Local media interest - Damage to organisation morale - Additional pressure on other resources. - Unable to meet operational and strategic objectives | I = 5 L = 5 25 | FINANCIAL CONTROLS - Financial regulation and procedures - Internal and External Audits - Monthly budget reports produced Control Owner: | Monthly reconciliations - covering Bank (inc cash) rent, loans, suspense account in line with monthly checklist. | Monthly budget analysis to management team, this includes overheads and maintenance. | internal audit completed in february 2016 - substantial rating | Substantial | I = 4 L = 3 18 | Review salary and pay scales in line with EVH standards Person Responsible: To be implemented by: 28 Oct 2016 | 02 Jun 2016 Please amend person responsible for review of salary & pay scales |
| | | | | Entitlements - Both Staff and Committee members required to complete declaration of interest forms. Control Owner: | Committee Secretary responsible for collect DOI forms | DOI is raised committee meetings | Audit review March 2016 | Adequate | | Create a staff questionnaire Person Responsible: To be implemented by: 01 Sep 2016 | |
| | | | | Committee Membership - Currently 11 committee members (3 new appointees) can absorb short term absence Control Owner: | Post in place to support committee members | Active recruitment of new members in 2015/16. | | Substantial | | | |
| | | | | Policy and Procedures - - Number of key Policy and procedures in place such as: Anti-Bribery and Whistle-Blowing. Control Owner: | Policies and procedures being systematically reviewed and revised over next 12 months | Policies reviewed and approved by committee as and when required | TBC - When audit is due | Substantial | | | |
| | | | | EVH - Full member of EVH - Pay scales and packages for WHA staff currently exceeding EVH levels. - Reliance upon EVH documentation to support HR activities Control Owner: | Management have reviewed salaries | Committee have reviewed and discussed at March meeting | | Adequate | | | |

APPENDIX D – Risk Management Reporting Cycle

The table below sets out the risk management reporting cycle:

| Risks | The Board | Audit Committee | Departmental Managers |
|--|-----------|-----------------|--|
| PHA & PSPS 's strategic risks | Annually | Every Quarter | N/A |
| Annual Review | Annually | Annually | N/A |
| Policy Review | 5 yearly | 5 Yearly | N/A |
| Operational risks which are classified as A | Annually | Every Quarter | SMT Meetings Monthly |
| Operational risks which are classified as B | Annually | Every Quarter | SMT Meetings Quarterly |
| Operational risks which are classified as C | N/A | Every Quarter | SMT Meetings Quarterly Team Meetings every 3 – 6 months |
| Operational risks which are classified as D | N/A | N/A | Team Meetings every 6 – 9 months |
| The remaining operational risks that are classified as E | N/A | N/A | Annually |

APPENDIX E – Glossary of Terms & Risk Categories

| Term | Definition |
|----------------------------|--|
| Assurance | An opinion based on evidence gained from the review of FPHA & NTC 's governance, risk management and control framework that risk assessments and control responses are appropriate, adequate and achieving the effects for which it has been designed. |
| Cause | The reason for the risk exposure – why would a risk occur |
| Effect | The impact for the risk exposure – what would be the impact if the risk materialised |
| Exposure | The consequences that arise from the realisation of a risk. |
| Inherent risk Score | The classification given to a risk, based on its likelihood and potential impact and BEFORE the application of a risk response and controls. |
| Impact | The effect that a risk would have on us if it occurred. |
| Likelihood | The probability of a risk occurring. |
| Risk Owner | The person responsible for ensuring the risk is properly managed and monitored |
| Residual risk Score | The classification given to a risk AFTER taking into account the quality of risk responses and controls. |
| Risk | The threat or possibility that an action or event will adversely or beneficially affect an organisations ability to achieve its objectives. |
| Risk appetite | The level of risk PHA & PSPS is prepared to accept or tolerate before considering action necessary. |
| Risk assessment | The process by which PHA & PSPS identifies and assesses the risks associated with its activities within each level of PHA & PSPS. |
| Risk management | “Risk Management is the process which aims to help PHA & PSPS understand, evaluate and take action on all our risks with a view to increasing the probability of our success and reducing the likelihood of failure”. |
| Risk register | A document for capturing important information about each risk PHA & PSPS identifies. |
| Risk response | An action or process that PHA & PSPS currently has in place to either reduce a risk to an acceptable level or increase the probability of a desirable outcome |

| Risk Category | Definition |
|--------------------------------|---|
| Political | Associated with the failure to deliver either central or local government policies, or recognise their priorities; threats from new policies and legislation. |
| Financial/ Economic | Associated with financial planning and control. Affecting the ability of PHA & PSPS to meet its financial commitments e.g. internal budgetary pressures, the failure to purchase adequate insurance cover, external macro-level economic changes e.g. market changes. |
| Social/ Cultural | Relating to the effects of changes in demographic, residential or socio-economic trends on PHA & PSPS's ability to respond and meet its objectives. |
| Technological | Associated with the capacity to deal with the pace/scale of technological change, or PHA & PSPS's ability to use technology to address changing demands. This may also include the consequences of internal technological failures on the PHA & PSPS's ability to deliver its objectives. |
| Compliance | Related to possible non-compliance through breaches of legislation e.g. SORP non-compliance, illegality, non-compliance with regulatory requirements, with Health and Safety and/or non-adherence to PHA & PSPS policies and procedures. |
| Environmental | Relating to the environmental consequences of progressing the organisation's objectives; energy and fuel efficiency issues etc. |
| Commercial | Under performance against contract specification leading to failure or inability to maintain provision; threats from the activities of competitors; partners change priorities. |
| Tenant/ Customer | Associated with failure to meet the current and changing needs and expectations of tenants, clients and customers e.g. service quality, duty of care, or to expose PHA staff or assets to unnecessary risk. |

The above risk category table is added for additional information