FIN006 - Risk Management Policy

MONITORING FORM	
Department	Chief Executive
Department Director	Chief Executive
This policy is applicable to	All Employees and Boards
Author	Jim Preston
Original Version approved by & date	29 April 2020
Date of last review	
Version number	1
Date of minor modification	
Period of Review	2 years
Date of next review	April 2022
Internal /external consultees (if required.	

1. INTRODUCTION

1.1 The Risk Management Policy explains Weslo's underlying approach and process of risk management. It specifies key aspects of the risk management process, reporting procedures and the key roles and responsibilities of the Board and Senior Management Team (SMT).

1.2 The Risk Management Policy forms an integral part of Weslo's internal control and governance arrangements to support the realisation of its strategic objectives. The policy empowers managers to take calculated risks in achieving the organisations aims and objectives through application of appropriate management control.

1.3 The policy aims to ensure that the risks that arise from operations are identified, assessed, controlled and monitored in line with the risk appetite set by the Board and the agreed risk management process.

2. SCOPE

2.1 This policy is relevant to Board Members and staff and it aims to put emphasis on the importance of identifying and minimising any risks to the business. It provides details on the responsibilities placed on staff to identify and report any potential risks and take steps to mitigate these in line with the agreed risk appetite.

3. OBJECTIVES

3.1 The policy has the following objectives:

a. Protection of Weslo's Business and reputation
b. Protection of tenants, customers and employees
c. Ensuring that Business Plans are aligned with the Board's appetite for risk
d. A robust process of identifying and responding to risks
e. Reduction in operational losses and 'surprises'
f. Identifying opportunities to generate income and savings
g. Improved allocation of resources

4. DEFINITIONS

Risk:	Any event or action which prevents Weslo from meeting its strategic objectives or operating plans or exposes Weslo to potential financial or reputational damage.
Risk management:	The practice of identifying potential risks in advance, analysing their likelihood and impact and taking steps to avoid, reduce, accept or transfer the risk.

5. RISK MANAGEMENT STRATEGY

5.1 It is necessary and desirable for Weslo to accept, tolerate or be exposed to a level of risk in pursuit of its strategy. The overriding aim of our risk management strategy is to control (mitigate and reduce) the likelihood and impact of risk to the business, and in doing so:

a. Increase the likelihood of achieving business objectives and reducing the probability of failure by ensuring that strategic risks cover the full scope of Weslo's activities and are linked to our strategic objectives;
b. Enhance our ability to cope with change;
c. Avoid 'unwelcome' surprises;
d. Encourage a culture of risk management throughout Weslo by ensuring that risk management is embedded within the organisation; raising awareness through training and communication; ensuring that risk assessment is a fundamental part of decision-making; reviewing the effectiveness of risk management arrangements; monitoring and facilitating the independent assurance of risk by internal audit; promoting the benefits of good risk management at all levels whilst emphasising the role of Weslo's Board in ensuring compliance.
e. Hold documented operational risk registers with a clear risk reporting framework

Role of The Board

5.2 The role of the Weslo Housing Management Board in relation to risk, as set out in the Schedule of Delegation is to:

a. Set and review the risk appetite
b. Exercise oversight of the risk management framework
c. Monitor the effectiveness of risk management functions
d. Review internal audit reports and consider implications for risk management
e. Consider reports on changes in risk and/or compliance issues
f. Consider annually the effectiveness of the Risk Management and Compliance functions, including the effectiveness of internal control
g. Review the risk management and internal controls statement before inclusion in the Annual Accounts

Role of the Chief Executive

5.3 The Chief Executive is the 'Risk Champion' for Weslo with the following responsibilities:

a. Ensuring that a risk management policy, strategy and culture is in place;
b. Identifies new risks and escalates to the Board
c. Acting as the primary champion of risk management at strategic and operational level;

d. Building a risk aware culture within the organisation including appropriate education;
e. Establishing internal risk management procedures for directorates;
f. Co-ordinating the various functional activities which advise on risk management issues within the organisation;
g. Developing risk response processes, including contingency and business continuity programmes;
h. Preparing reports on risk for the Board
i. Setting the standards and expectations of staff with respect to conduct and probity;
j. Monitoring the management of strategic risks and providing update reports to the Board;
k. Satisfying itself that all 'other' risks are being actively managed, with appropriate and effective controls in place;

Role of Senior Management Team

5.4 The responsibilities of the Senior Management Team are:

a. Ensuring that risk management and internal control policies are enacted;
b. Identifying and evaluating the fundamental operational risks
c. Managing risks on behalf of the Chief Executive and/or the strategic risk owner;
d. Assisting the Chief Executive to undertake an annual review of risk management and the effectiveness of the system of internal control;
e. Embedding risk management within their roles and responsibilities as part of the system of internal control.

6. THE SYSTEM OF INTERNAL CONTROL

6.1 The system of internal control incorporates risk management and encompasses several elements that together facilitate an effective and efficient operation, enabling Weslo to respond to a variety of risks. These elements include:

Strategic Business Planning and Budgeting

6.2 The business planning and budgeting process is used to set objectives, agree action plans, and allocate resources. Progress towards meeting business plan objectives is monitored regularly by the SMT and reported to the Board.

Strategic Risks

6.3 The Board has overall responsibility for determining the risk appetite of the organisation and for ensuring that a system is in place for identifying, assessing, controlling and monitoring risks significant to Weslo. The Corporate Risk Register is reviewed monthly by the SMT and quarterly by Board.

6.4 Emerging risks are added, and improvement actions and risk indicators are monitored. The Chief Executive is responsible for following-up any actions emerging from the relevant reviews of the strategic risks by each of these bodies.

Exceptional and Operational Risks

6.5 These will generally be exceptional risks facing a directorate where a directorate 'owns' a non-strategic risk on behalf of the organisation. An exceptional risk will normally:

- have a finite life;
- require the establishment of a new or enhanced risk mitigation/control;
- be clearly linked with one of Weslo's organisational or service objectives.

6.6 Upon mitigation and/or over time an exceptional risk will normally cease to exist or become an operational risk. SMT will provide assurance to the Chief Executive via directorate risk registers. These should be reviewed regularly by SMT and reported to Board.

Project and Programme Risk Registers

6.7 Formal projects and programmes should maintain risk registers, and these should be reviewed as a standing agenda item for project or programme Board meetings. A project or programme's Sponsor (usually a Senior Manager) may choose to escalate risks and assurances to the department risk registers or, exceptionally, to the Corporate Risk Register.

6.8 High value projects and those with a degree of reputational risk associated with them may be subject to internal audit scrutiny or be required to report progress regularly to the SMT or Board.

Internal Audit Programme

6.9 Weslo's internal auditors fulfil an important function by undertaking a programme of internal audit which contributes to the effectiveness of the internal control system.

6.10 The Chief Executive is required to recommend to Board a programme of effective audit coverage and to advise Board on the minimum and optimum level of internal audit arrangements in their opinion.

6.11 The internal audit programmes will include an annual assessment of the effectiveness of the risk management process.

External Audit

6.12 External audit informs the Board of the operation of the internal financial controls, as well as the validity of the final yearly accounts reviewed as part of their annual audit. The Board is required to agree a programme of effective audit coverage on the minimum and optimum level of external audit arrangements

7. THE ANNUAL REVIEW OF EFFECTIVENESS

7.1 Board will require the Chief Executive to undertake an annual review to consider:

a. Whether risk management is effective in enabling the achievement of Weslo goals and objectives;
b. Whether risk review procedures cover fundamental reputational, operational, compliance, financial and other risks to achieving objectives;
c. Whether risk assessment and control are embedded in on-going operations and form part of Weslo culture;
d. The scope and quality of SMTs on-going process of monitoring the system of internal control, including such elements as the effectiveness of internal audit and other assurance functions;
e. The incidence of any fundamental control failings or weaknesses identified at any point within the year and the impact that they have had or could have on achievement of strategic objectives and financial results

8. RISK APPETITE AND RISK SCORING

Risk Appetite

'8.1 Risk appetite' sets out the degree of exposure to risk that the Weslo will tolerate. Establishing risk appetite empowers managers, as it gives a clear idea of where risks can be taken, or where caution needs to be exercised in the approach taken. It also establishes when to refer decisions or issues quickly to SMT.

8.2 The Board has overall responsibility for setting the categorisation of risk Weslo currently faces and its appetite towards them and the 'maximum residual risk score' (i.e. the maximum score on the risk register that can be tolerated). The categories and appetites currently in place (approved by the Board at its meeting on 29 April 2020) are:

Category	**Appetite**	**Maximum Residual Risk**
Compliance	AVERSE	16
Data/Information Handling	AVERSE	16
Reputational	CAUTIOUS	20
Financial	AVERSE	16
Operational	CAUTIOUS	20

Risk Scoring

8.3 The risk scoring system uses the following definitions and scores:

Likelihood	Impact				
	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Catastrophic
5 - Almost certain (>90% chance)	5	10	15	20	25
4 - Likely (50%-90%)	4	8	12	16	20
3 - Possible (10%-50%)	3	6	9	12	15
2 - Unlikely (5%-10%)	2	4	6	8	10
1 - Rare (<5%)	1	2	3	4	5

Inherent and Residual Risk scores

8.4 Risks are subsequently evaluated by risk owners before and after the application of control and assurance measures (mitigation). Minor risks which rarely happen would therefore score 1 out of a maximum of 25, whereas risks which would have a major impact and are almost certain to happen would score 25 out of 25.

8.5 Risk owners evaluate the risk prior to the application of control and assurance measures (inherent risk) and afterwards (residual risk).

8.6 The residual risk score is then compared against the risk appetite, for that category of risk, to determine whether the residual risk remains within appetite. Risks which are not within risk appetite are 'Red' and further remedial action and/or disaster recovery measures may be required.

Risk Response

8.7 Once the risk has been identified and assessed in terms of its inherent risk the response must be documented. The objective will be to reduce the risk to a level that is acceptable to Weslo and will come under four broad categories:

Avoid the risk:	Weslo may decide to withdraw from the activity that is leading to the risk as it is either outwith the Board's appetite for risk, or the risks are greater than any perceived benefits of the activity.
Accept the risk:	Weslo may choose to accept the risk (i.e. take no action at all). This would be appropriate in circumstances where the application

	of resources to mitigate the risk would not be economic, effective or efficient. For example: • Risks with acceptably low risk scores • Risks with very low probability of occurring • Risks where there is no effective way of mitigating the risk (but the inherent risk is acceptable)
Transfer the risk:	Weslo may choose to transfer the risk, either wholly or partly. This response is most appropriate where the risk cannot be mitigated by other means (e.g. insurable risk), or if it makes sense from a business to share risks and rewards (e.g. a joint venture).
Reduce the risk:	Weslo may choose to implement policies, procedures or actions to reduce risk to an acceptable level in line with agreed the risk appetite. This approach may be appropriate for those risks that are necessary in pursuit of its strategic objectives and annual plan. Overall the response should result in actions that reduce risk to levels below the risk appetite, whilst allowing for the achievement of business objectives.

9. EQUALITY & DIVERSITY

9.1 This Policy will always be carried out in accordance with Weslo's Policy of Equality & Diversity which aims to promote diversity, fairness, social justice and equality of opportunity by adopting and promoting fair policies and procedures.

10. PUBLICISING & AVAILABILITY

10.1 This policy is available on the Weslo website, to Board and staff members and any other key stakeholders. Copies are available free of charge. A summary of this policy can be made available in other formats and languages.

11. MONITORING & REPORTING

11.1 This policy will be reviewed regularly to ensure compliance with applicable legislative changes, changes within the organisation and best practice