



Tai Tarian Ltd

RISK MANAGEMENT POLICY

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1 Introduction

This Risk Management Policy sets out Tai Tarian's aims and objectives for the effective management of risk and forms part of Tai Tarian's internal control and corporate governance arrangements. Further details on the application of this policy are set out in the Risk Management Procedure which can be found on the intranet.

2 General Principles

- 2.1 Tai Tarian defines risk as *“the threat that a future event or action will adversely affect an organisation's ability to meet its business objectives and execute its strategies successfully”*.
- 2.2 Risk is inherent in every activity that any organisation undertakes and every member of staff has a role in risk management. The aim of effective risk management is to manage risks and their potential for damage down to an acceptable level.
- 2.3 Tai Tarian also recognises that taking risks in a controlled manner is fundamental to its activities. The organisation's appetite for risk is defined at paragraph 4.6.

3 Importance of Compliance

- 3.1 The Board is responsible for ensuring effective running of the organisation and the Welsh Government, as our regulator, “expects boards to articulate clearly their risk appetite and how risks are managed in the light of the continued, challenging, operational environment and to review, on a regular basis, how their activities fit in with the overall objective. The regulator will seek to understand how boards of associations gain their own assurance that they are aware of the risks their organisation faces and are managing them effectively”.

4 Risk Management

4.1 Overview

Risk Management is essentially about identifying, assessing and managing the risks which may impact upon the achievement of our objectives.

- 4.1.1 Managing risk is a continuous process which needs to be embedded into Tai Tarians' systems. The goal of risk management is to:
 - Integrate risk management into the culture of Tai Tarian.
 - Manage risk actively across the organisation in accordance with best practice.
 - Provide assurance to the Board that risk is being managed effectively.
 - Anticipate and influence events before they happen.
 - Facilitate better, informed, decision making, taking into account the threats, opportunities and associated consequences.
 - Improve contingency planning.

- Increase accountability and systems improvement to assist the organisation in achieving its objectives.

4.2 Corporate Risk Register

4.2.1 Tai Tarian's Corporate Plan identifies the main objectives of the business. A Corporate Risk Register has been developed that is clearly linked to the activities and targets set out in the 3 year Corporate Plan.

4.2.2 This includes sector wide risks facing housing associations in Wales that are applicable to Tai Tarian as set out by the Welsh Government and also any risks specific to Tai Tarian. The Corporate Risk Register is used to record, amongst other data, the risk definition, inherent risk, controls and assurances over those controls, residual risk, the risk owner and any gaps in controls or assurances.

4.2.3 Extracts from the Corporate Risk Register are taken into the Strategic Risk Register where the Residual Risk score is either amber or red and the Operational Risk Register where the Residual Risk is yellow (see 4.5.3 Risk Scoring Matrix).

4.3 Inherent Risk

4.3.1 This is the risk inherent to the activity i.e. should all controls fail what would be the impact and likelihood of the risk occurring.

4.3.2 Identified Inherent Risks should be scored in line with the 'Risk Scoring Matrix' (see paragraph 4.5) considering:

- The **impact** of the risk should it occur – Appendix 1.
- The **likelihood** of the risk occurring – Appendix 2.

4.4 Residual Risk

4.4.1 The application of controls, and assurance over the effective design and operation of those controls, produces a reduced risk which is referred to as the Residual Risk. This is also measured using the risk scoring matrix and the same measures of impact and likelihood as included in Appendices 1 and 2.

4.5 Risk Scoring Matrix

4.5.1 A Risk Scoring Matrix is used to aid the process of Risk Assessment. This combines the likelihood of the risk occurring along with the impact of the risk, should it occur. This process is a simple mechanism to increase visibility of risks and assist decision making.

4.5.2 When the impact and likelihood scores have been agreed, they are multiplied together and an overall risk score calculated that puts each risk into a red/amber/yellow/green/blue category. See following table:

4.5.3 Risk Scoring Matrix

| | | | | | | | |
|--------|---|----------------|------------|----------|----------|----------|----------------|
| IMPACT | 5 | Severe | 5 | A10 | R15 | 20 | 25 |
| | 4 | Major | 4 | 8 | 12 | 16 | 20 |
| | 3 | Moderate | 3 | 6 | 9 | 12 | 15 |
| | 2 | Minor | 2 | 4 | 6 | 8 | 10 |
| | 1 | In significant | 1 | 2 | 3 | 4 | 5 |
| | | | Rare | Unlikely | Possible | Probable | Almost Certain |
| | | | 1 | 2 | 3 | 4 | 5 |
| | | | LIKELIHOOD | | | | |

4.6 Risk Appetite

4.6.1 Once a Residual Risk score has been calculated the level of acceptance and monitoring for each risk needs to be established. This relates to Tai Tarian's appetite for each risk.

4.6.2 It is the role of SMT, Audit & Risk Committee and Board to confirm approval of the Residual Risk; thus approving the level of risk appetite. A higher risk may be acceptable for some activities, such as development of new housing schemes or undertaking other new activities, compared to other ongoing activities. The level of uncertainty in the external environment may also determine the acceptable level of risk.

4.6.3 Where a Residual Risk score is considered by the Board, Audit & Risk Committee and SMT to be above the organisation's risk appetite, actions to further mitigate the risk will be required to be documented on the risk register against that risk and a Target Risk score will be stated.

5. Role of Internal Audit

5.1 It is the responsibility of Internal Audit to periodically report on the adequacy of NPT Homes' risk management process.

6 Links with other policies, procedures and strategies

6.1 Rules of Tai Tarian

6.2 Standing Orders

6.3 Detailed Risk Management Procedures

7 Welsh Language Implications

7.1 This policy complies with Tai Tarian's Welsh Language Scheme.

8 Equality Implications

8.1 Tai Tarian is committed to giving an equal service to all. Any action taken under this policy will comply with current equalities legislation.

8.2 Tai Tarian's staff will operate within the Equality and Diversity Policy and will seek to address any specific needs which may arise in respect of ethnic minorities, people with disabilities, and the elderly or vulnerable residents.

9 Policy Monitoring

9.1 This policy will be monitored on a regular basis to ensure it remains fit for purpose and reflects the practices of Tai Tarian and any changes in legislation.

10 Accessibility

10.1 A copy of this policy will be made readily available to all stakeholders on the Tai Tarian intranet.

Appendix 1: Impact of Risk Occurring

| | Impact | Financial | Operational | Health & Safety | Regulatory | Reputational |
|---|---------------|--------------|---|---|---|---|
| 5 | Severe | ≥ £1,000,000 | Total sustained loss or disruption to critical services | Major incident with multiple injuries and death(s) | Serious breach resulting in rapid intervention of regulatory bodies | Adverse national, prolonged media coverage |
| 4 | Major | < £1,000,000 | Key services unavailable delaying processes and wasting resources | Major injury to multiple persons | Attention of regulatory bodies leading to sanctions with significant consequences | Significant public, regional / national media coverage |
| 3 | Moderate | < £200,000 | Sporadic provision of key services | Major injury to individual | Failure to meet recommended best practice, may attract short term attention of regulatory bodies or lead to reprimand / sanctions | Unfavourable local / regional or short term media coverage |
| 2 | Minor | < £50,000 | Short term impact on operational efficiency and performance | Minor injury to multiple persons between 3 & 20 individuals | Failure to meet internal standards, some regulatory impact that could lead to warnings/threats of sanctions | Isolated complaints/limited unfavourable local media coverage. |
| 1 | Insignificant | < £10,000 | Negligible loss, delay or interruption to services | Minor injury affecting 1 or 2 individuals | Minor regulatory impact – no sanction likely | No significant adverse publicity/very little impact on reputation |

Appendix 2: Likelihood of the Risk Occurring

| | Likelihood | Considerations/Conditions |
|---|--|--|
| 5 | Almost Certain <i>Likelihood greater than 75%</i> | <ul style="list-style-type: none"> • Very likely • The event is expected to occur in most circumstances • There could be a history of regular occurrences e.g. on an annual basis • If new event, likelihood of occurrence regarded as almost inevitable |
| 4 | Probable <i>Likelihood between 50%-75%</i> | <ul style="list-style-type: none"> • There is a strong possibility the event or risk will occur • There may be a history of frequent occurrences • No or little effective measures to reduce likelihood can be and/or have been taken • Will probably occur in most circumstances. |
| 3 | Possible <i>Likelihood between 25%-50%</i> | <ul style="list-style-type: none"> • The event might occur at some time • There could be a history of casual occurrence • Measures that reduce likelihood have been taken but are not fully effective |
| 2 | Unlikely <i>Likelihood between 5%-25%</i> | <ul style="list-style-type: none"> • Not within foreseeable future • Not expected, but there's a slight possibility it could occur at some time • Conditions exist for this loss to occur • Probably requires more than two coincident events |
| 1 | Rare <i>Likelihood less than 5%</i> | <ul style="list-style-type: none"> • Unlikely to occur • Highly unlikely, but it may occur in exceptional circumstances • It could happen, but probably never will • No experience of a similar failure • Probably requires three or more coincident events • If it has happened, sufficient controls now in place |