



National Assembly for Wales **Risk Management Policy**

January 2017



National Assembly for Wales
Assembly Commission

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Introduction

1. Risk is defined as uncertainty of outcome, whether positive opportunity or negative threat, of actions and events¹. It is something that *could* potentially have an undesirable or desirable impact on the delivery of an organisation's goals or objectives sometime in the future.
2. Risk management is the process by which an organisation identifies and manages both:
 - the threats it faces in pursuit of its goals and objectives; and
 - the risks it wishes to take to make the most of opportunities to achieve or exceed those goals and objectives.
3. This includes assessing the impact and likelihood of risks being realised and the arrangements to mitigate and manage them. It also includes having clarity about roles and responsibilities for identifying and mitigating risks as well as clear routes for escalation of risks as they arise or increase.
4. Issues management has also been incorporated into this policy (see paragraphs 32 to 35 below) to formalise the Commission's corporate approach to capturing information on risks that materialise and issues that occur.
5. The Chief Executive and senior management of the Assembly Commission (the Commission) are committed to a strong system of risk management which allows the organisation to avoid or minimise the impact of serious threats and to maximise opportunities in pursuit of its strategic goals and priorities².
6. The maturity of our approach to risk management has resulted in many risks being effectively managed at a service level, allowing senior management to concentrate on actively managing and monitoring the corporate level risks. There is clarity and understanding about when a risk needs to be managed at a corporate level and there is evidence that risks managed at all levels has resulted in them not materialising.
7. The Commission's auditors and the Assembly Commission's Audit and Risk Assurance Committee (ACARAC) have consistently endorsed our overall approach to risk management but we recognise there is no place for complacency and will continue to strive to improve our processes.
8. This policy will be reviewed at the start of each Assembly or more frequently, if necessary, to respond to changes in circumstance.
9. The policy is supported by a Risk Management Process document which provides further details on responsibilities and processes for identifying, assessing, managing and monitoring risks and issues. That document, and supporting guidance, will be revised as changes to the processes and procedures are agreed.
10. Any review will take account of recognised best practice, the latest thinking on risk management and the views of our auditors.

¹ HM Treasury, *The Orange Book: Management of Risk – Principles and Concepts*

²Commission strategy 2016-21 can be found at http://www.assembly.wales/en/abthome/about_us-commission_assembly_administration/abt-commission/Pages/abt-commission.aspx

Purpose and Objectives of the Policy

11. This policy outlines the Commission's approach to risk management within the context of our corporate governance arrangements. It describes our risk tolerance and appetite, responsibilities for implementing the policy, details of key processes, along with reporting arrangements and expected outcomes.
12. This policy also outlines the corporate approach to issues management, setting out how service areas should set criteria for capturing and escalating issues. This is in line with the Commission's Strategy 2016-21³ which states "where things do not go well, we will show what we have learnt and done, to prevent a reoccurrence".
13. Adopting this policy helps us to maintain a culture across the Commission whereby we continually and consistently seek to identify, analyse, manage and monitor the risks we face and to get the most from potential opportunities to improve our performance at service, corporate, programme and project levels. It also ensures that effective processes and communication channels are in place to enable all staff to identify risks, issues and opportunities and to escalate these as appropriate. It allows us to ensure that problems are dealt with at an early stage, before they become a potentially significant issue and to learn from experiences of risks that have materialised or issues that have occurred.

Risk Management in Context

14. Good governance is central to the effective operation of any organisation and risk management is an integral part of good governance. Informed by the culture or environment in which the organisation operates and its tolerance and appetite for risk, the risks identified can be managed to support and ensure achievement of the organisation's goals and objectives. It is as much about exploiting opportunities and supporting continual improvement as it is about preventing potential problems or minimising their impact.
15. For the Commission, this means that identifying and effectively managing the risks with both a positive and negative impact is key to achieving the goals for the Fifth Assembly: to provide outstanding parliamentary support; to engage with all the people of Wales and champion the Assembly; and to use resources wisely.
16. The Commission is committed to a proactive approach to the identification and management of risks which is integrated into our corporate governance framework, details of which can be found on the Commission's Corporate Governance Internet pages⁴. We need to identify and manage our risks in a systematic and focused way to ensure that resources are used to best effect and we spend our time making a positive difference.
17. Other Commission governance frameworks, strategies and policies also provide guidance on the identification and management of specific risks. These include:

³Commission strategy 2016-21 can be found at http://www.assembly.wales/en/abthome/about_us-commission_assembly_administration/abt-commission/Pages/abt-commission.aspx

⁴the Commission's Corporate Governance Framework can be found at http://www.assemblywales.org/abthome/about_us-commission_assembly_administration/abt-commission.htm

- Procurement Strategies in terms of commercial risks, ensuring every contract strategy has a detailed risk assessment with appropriate measures to mitigate the risks identified; and
 - the Information Governance Framework in terms of information risks.
- 18.** The Commission’s Corporate Project Management Guidance also includes further details on identifying and capturing project risks.
- 19.** The Commission’s Business Continuity Policy helps to strengthen our resilience by helping us to minimise the impact on the organisation if a risk materialises or an issue occurs. It provides the capability to ensure minimal disruption to services and the ability to recover quickly and effectively.

Risk Tolerance and Appetite

- 20.** We all take risks in our every-day lives, most of which we tolerate or take without giving them much thought. An organisation’s risk tolerance and appetite will depend on its size, complexity and the environment in which it operates.
- 21.** Although the Commission is a relatively small organisation, we provide a diverse set of services and we have a constantly high public profile. We therefore need to understand the limits of how much risk we should tolerate or take in pursuit of our goals, priorities and objectives. We want early warning of potential problems, but we also want to empower our staff to take well-managed risks where appropriate.
- 22.** A scoring matrix has been developed to reflect our tolerance and appetite levels. This matrix, which can be found in the Risk Management Process document, provides a guideline and we recognise that there will be different tolerance and appetite levels for different types of risks i.e. service/operational, strategic/corporate, and programme/project risks.
- 23.** A clear understanding of our risk tolerance and appetite levels helps us to:
- seize opportunities and make well informed decisions;
 - identify resources that are being wasted on risks we are prepared to tolerate and focus them on areas where the risk is higher and business critical; and
 - clarify the thresholds above which risks need to be escalated.

Key Processes and Reporting Arrangements

24. It is important that we continually identify potential risks and opportunities for improvement and that we understand how these are being managed. The cycle for our risk management approach (based on a combination of the International Standard ISO 31000⁵ and the process as defined by the standard produced by the Institute of Risk Management⁶) is as follows:

- **Establish context** i.e. the goals, priorities and objectives
- **Identify** the risks
- **Assess/measure** the risks
- **Decide response** to the risks
 - Tolerate
 - Treat
 - Transfer
 - Terminate
- **Record** the risks
- **Report** on the risks



Running throughout this cycle is the need to **communicate** and **monitor and review** the risks identified

25. A key theme running through the process is the need to communicate with others who need to be involved in identifying, assessing and managing risks at all levels.
26. Regular reports on the management of our key corporate risks are submitted to senior management, the Chief Executive and Directors and the Assembly Commission's Audit and Risk Assurance Committee (ACARAC). As the management of risks is an iterative process, these reports focus on the current status of the risks identified i.e. what we are currently doing to manage the risks and the adequacy of the controls or contingencies in place.
27. Senior management will also consider the risks relating to decisions they are asked to make, the assessment of which will be included in papers presented to them.
28. The Assembly Commission will be informed, through discussion, of any significant risks as they arise. An assessment of risks relating to decisions the Commission are asked to make will be included in papers presented to them. The Commission will also receive an update on ACARAC's consideration of risks, membership of which includes the Commissioner with responsibility for governance.
29. Heads of Service will provide regular summary reports on the management of service level risks to their Director. The service area Risk Champions will provide updates on key movements within risk registers at meetings of the Risk Management Forum and make connections between risks and issues that cut across services.
30. Risks that need to be escalated to a corporate level will be reported to the relevant Director and the Commission's Risk Manager as they are identified. These will be presented to senior management who will decide if the risks need to be managed and monitored at a corporate level.

⁵ <http://www.iso.org/iso/home/standards/iso31000.htm>

⁶ <https://www.theirm.org/>

- 31.** As the Commission's Accounting Officer, the Chief Executive is required to report publicly in an annual Governance Statement on the effectiveness of governance and risk management arrangements. This also involves capturing formal assurances annually from Directors, Heads of Service, auditors and ACARAC.

Issues Management

- 32.** An issue is something that *is* happening or *has* already happened. It is something that *is* causing or *has* caused an impact on the delivery of the goals or objectives.
- 33.** Issues management is the process by which an organisation responds to risks that materialise and issues that occur. This will include planning a response in collaboration with the right stakeholders and capturing and sharing learning from these experiences.
- 34.** It is not possible to set standard criteria for issues which could be applied across all service areas due to the diverse nature of services provided. Each service area or programme/project board will agree its own criteria for capturing issues based on their perceived impact.
- 35.** The Risk Management Process document describes when information on issues needs to be formally recorded, the process for capturing the information and the level of detail that needs to be documented.

Responsibilities

- 36.** It is the responsibility of Directors and Heads of Service to ensure that the Risk Management Policy and processes, including those for issues management, are implemented in their service areas. This will be supported by a Risk Champion in each service area. All staff have a responsibility to support and embed this policy, to identify and escalate risks and issues and to demonstrate consideration of risks in proposals and/or decisions.

Outcomes

- 37.** Adopting this policy with its inclusive, proactive and systematic approach, a shared understanding of terminology and organisational benefits, and a commitment from senior management allows us to maintain a culture of risk awareness, performance focus and willingness by all staff to make things better.
- 38.** Key to success with this approach is continuous monitoring and review; timely and relevant reporting; and timely action at the appropriate level. Success is measured through assurance at various levels, including:
- Chief Executive, Directors' and senior management's confidence in the process, and the reports they receive;
 - Heads of Service engagement, and realisation of the benefits of the process in supporting their service delivery;
 - a high-level of staff involvement, identifying and assessing risks;

- evidence of the effective management of risks - that the likelihood of risks are being reduced and that their impact is minimised if realised;
- confidence of ACARAC and the Assembly Commission in the process; and
- a positive review by internal and external audit.