



Risk Management Policy



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Revision History

Date	Version	Author	Comments
27 May 20	V1.0	R2	Suggested adjustments for resilience project
Aug 20	V1.1	R2	Further updates following feedback
Oct 20	V1.2	R2	Adjusted to deconflict with Risk Handbook
Feb '21	V1.3	HOF	Formatting and other various grammatical changes

Review/Approval Register

Name	Position / Role	Review / Approval
Nadeem Hanif	Head of Finance	Review
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RISK MANAGEMENT STRATEGY

1.1 The ILF Scotland Board and Senior Management Team have adopted the following risk management strategy:

- to form a component of excellent corporate governance and management practices;
- to provide a sound basis for integrating risk management into decision making;
- to ensure that appropriate mitigating actions are in place to manage identified risks;
- to ensure that the objectives of ILF Scotland are not adversely affected by significant risks that have not been anticipated;
- to ensure achievement of outputs and outcomes and having reliable contingency arrangements in place to deal with the unexpected which may put service delivery at risk;
- to ensure periodic assessment of ILF Scotland's attitude to and appetite for risk; and
- to promote a more innovative, less risk-averse culture in which the taking of appropriate risks in pursuit of opportunities to benefit the ILF Scotland is encouraged.

1.2 The management of risk is an integral part of ILF Scotland's Business Strategy and Strategic Plans.

Our definition of risk is:

"A risk is anything that can impede or enhance our ability to meet our current or future objectives and the achievement of ILF Scotland's priorities captured by our Strategic Plan."

RISK MANAGEMENT POLICY

2.1 This policy aims to ensure that risk is identified and managed at all stages in the development and delivery of ILF Scotland's objectives; including risk analysis, the development of actions to manage risks, and to monitor, review and evaluate such activity as follows:

- The Chair of the Board provides an annual statement in the Annual Accounts confirming that internal control has operated effectively throughout the year utilising appropriate risk management.
- The Chair of the Board receives an annual assurance on the extent of compliance with the policy and framework from the Senior Management Team
- The Audit and Risk Committee monitors and reviews both the risk, control and governance processes which have been established in the organisation, and the associated assurance processes.
- The Senior Management Team has a key role in ensuring that limited resources are applied effectively and acts as champion for the risk management framework on behalf of The Board.
- ILF Scotland maintain a framework for the management of risk in ILF Scotland; which identifies the objectives for each business unit, explicitly identifies and assesses the key risks to achieving those objectives, and highlights lead officer responsibility for each risk.
- ILF Scotland adopt a positive approach to risk management. ILF Scotland not only look at the risk of things going wrong, but are also proactive, innovative and consider the possibility of things going better than ILF Scotland had expected to achieve our objectives.
- ILF Scotland agree risk priority, taking into account the impact and likelihood of key risks occurring and focus continuing management attention to those priorities.
- ILF Scotland operate a system of risk management that is manageable and easy to operate and is linked to ILF Scotland's planning and operational processes.
- ILF Scotland use risk management processes to improve performance through better informed decision making and planning.
- ILF Scotland communicate risk management principles across ILF Scotland to all staff and work to embed risk management principles throughout the organisation.
- ILF Scotland spread best practice from lessons learnt, and expertise acquired from our risk management activities, across the organisation for the benefit of all staff.

2.2 The aim of an effective approach to risk management is not to remove all risk but to recognise that some level of risk will always exist; to assess what level of risk exposure you are prepared to accept or tolerate should the risk become a reality.

2.3 When considering opportunities, managed risk taking is a consideration of how much one is prepared to actively put at risk in order to obtain the benefits of the opportunity. It is about comparing the value (financial or otherwise) of potential

benefits with the losses which might be incurred (some losses may be incurred with or without realising the benefits). When considering threats, managed risk taking is about a judgement of the level of exposure which is considered tolerable and justifiable should it be realised. It is about comparing the cost (financial or otherwise) of the controls and resources used to manage the risk against the cost of the risk materialising and finding an acceptable balance.

2.4 Some risk is unavoidable, and it is not within the ability of the organisation to completely manage it to a tolerable level - for example many organisations have to accept that there may be external events that they cannot control. In these cases reactive resilience plans need to be made to reduce the impact of risks occurring.

2.5 It is also helpful to know that you have all the information you need to assure yourself and colleagues on how you are managing an area of risk. The Audit and Risk Committee takes a keen interest in the risks with greater impact/likelihood and so will target areas for more detailed interrogation. You can also work with peers to actively challenge and assess the level of mitigating actions.

2.6 This Risk Policy should be read in conjunction with the Independent Living Fund Scotland Resilience Framework and the Independent Living Fund Scotland Risk Handbook.

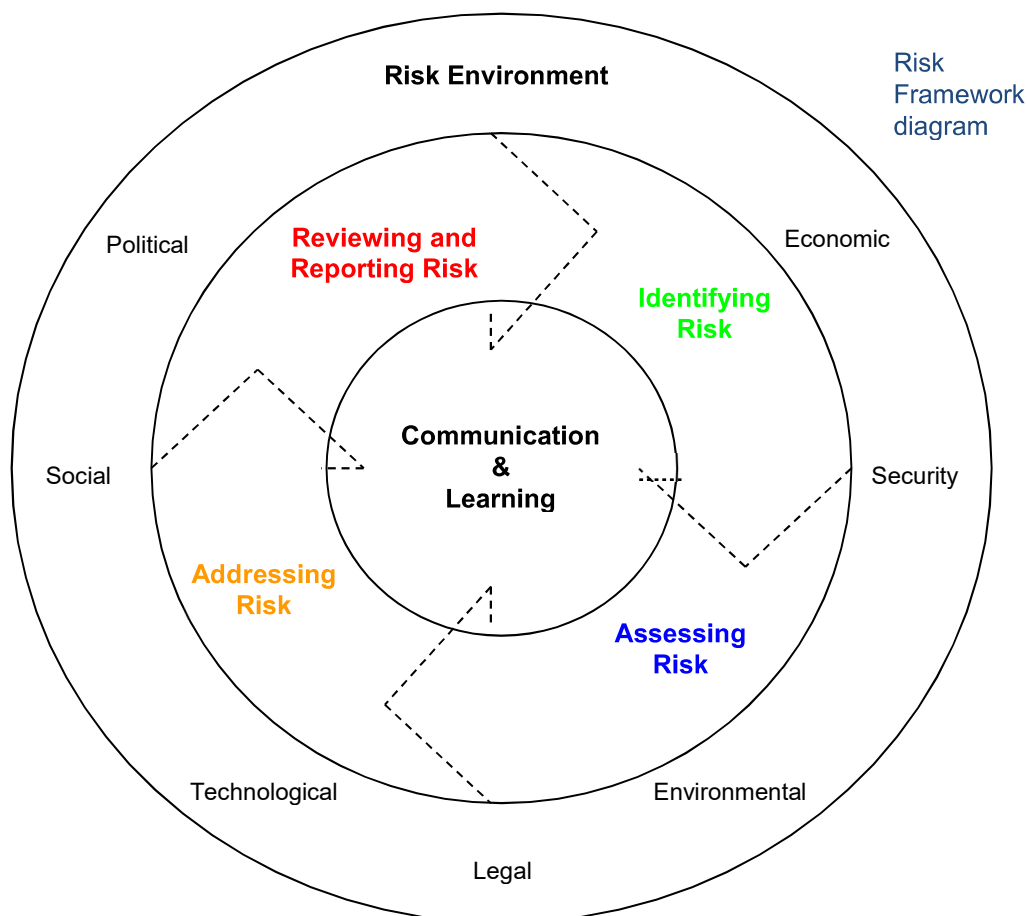
RISK FRAMEWORK

Resilience & Risk Frameworks

3.1 The Independent Living Fund Scotland risk management system is a central component of the Independent Living Fund Scotland **Resilience Framework**. Detail of the day to day operation of the framework to continuously improve Independent Living Fund Scotland resilience is set out in the Independent Living Fund Scotland Resilience Framework

3.2 Independent Living Fund Scotland risk framework provides a straightforward methodology to help manage risk effectively and it follows 4 distinct phases:

1. **Identifying risks:** This is the first step in building a risk profile, an overview of the medium to long-term risks that may affect the achievement of objectives.
2. **Assessing risks:** This enables the effective prioritisation of risks in relation to objectives. This ensures attention is focused on the key risks and resources are concentrated where they are most required.
3. **Addressing risks:** This is the stage where actions are agreed in order to control or mitigate the risks that have been identified.
4. **Reviewing and reporting risks:** This ensures that new opportunities and threats or changes to existing risks are managed. Reporting changes helps to raise awareness and coordinate responses to key risks.



Risk Framework diagram

3.3 The diagram above illustrates the risk framework and the environmental analysis used to identify risk in a systematic way. Risk information should be communicated effectively, with lessons learned throughout the process.

Governance, Roles & Responsibilities

3.4 Risk management is governed by the Independent Living Fund Scotland Resilience Framework and this policy, which set out a clear governance structure to ensure that there are clear lines of accountability, communication and the coherent decision making across Independent Living Fund Scotland.

3.5 The Board set the tone and culture for risk management across Independent Living Fund Scotland. Senior Management and the Audit & Risk Committee will consider the effectiveness of the risk management framework, through directing internal and external auditors to review our risk management processes.

3.6 Independent Living Fund Scotland Senior Management play a key role in ensuring the Risk Management process is adhered to. They will ensure that all strategic level risks are suitably identified, monitored and controlled, and will act as a forum for the review of the Independent Living Fund Scotland risk landscape. They will also have a key role of reviewing escalated risks that exceed risk appetite levels, where appropriate agreeing additional treatment through either;

- Directing further mitigation and associated resource required to bring to risk levels within appetite.
- Agreeing to tolerate the risk above the Independent Living Fund Scotland risk appetite
- Terminating the risk by ceasing the associated activity
- Transferring (outsourcing) the risk e.g. insurance

3.7 The governance of risks at department and team level will continue to be monitored through Senior Management meetings.

3.8 Furthermore, the Resilience Hub will review the updated risk registers and take an overarching view of the risk landscape, highlight any concerns with the risk owner and with the Audit & Risk Committee where appropriate.

3.9 Risk owners have a key role in managing risks that threaten Independent Living Fund Scotland objectives. They have duty to ensure that all risks have been identified, assessed and treated with appropriate controls in place, in line with the Independent Living Fund Scotland risk appetite. Furthermore, they are required to escalate risks (through the governance structure) in keeping with the guidance in this policy.

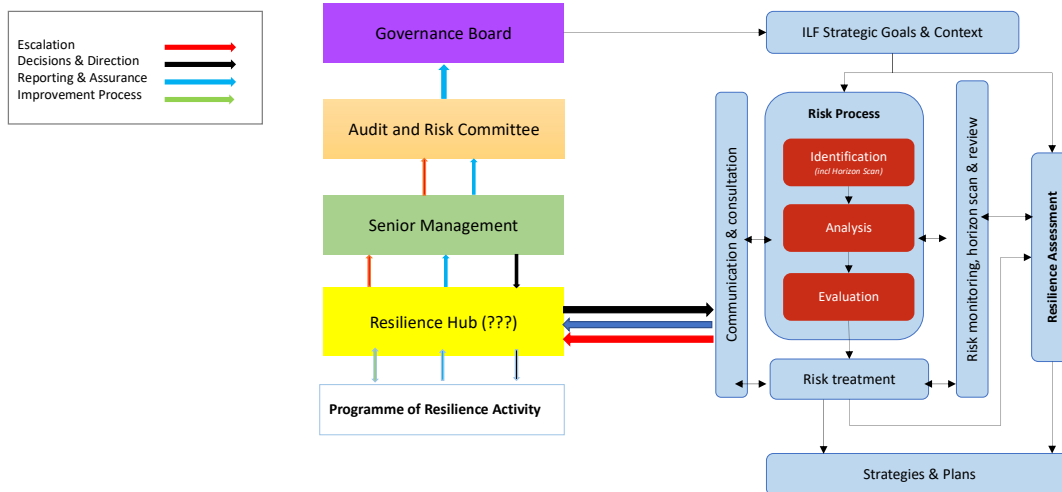


Fig 3: Governance of Risk

3.10 All Staff have a role to play in managing risk effectively. However, the paragraphs below highlight key roles in the organisation; full details of roles and responsibilities are at Part 2.4 of the Independent Living Fund Scotland Resilience Framework.

3.11 **The ILF Scotland Board:** Ultimately responsible for the risk management strategy of ILF Scotland and the framework that underpins this strategy. These Non-Executive members of the Board offer valuable, independent external challenge and input.

3.12 **ILF Scotland Audit and Risk Committee:** Are accountable to the Board for the overall management of risk within Independent Living Fund Scotland. They own the responsibility for approving resilience related enhancements that ensure acceptable control of risk within Independent Living Fund Scotland. They will ensure this level of control is consistent with Independent Living Fund Scotland risk appetite and tolerances and is coherent across the resilience disciplines. They will maintain an overview of the aggregated level of risk borne by Independent Living Fund Scotland and will direct and approve activity accordingly. They are also responsible for reporting significant issues to the Scottish Government (see 3.13 below).

3.13 **The Accountable Officer and The Senior Management Team** are accountable to the Audit & Risk Committee and are responsible for the management of risk at Independent Living Fund Scotland. Specifically, the senior management team are responsible for the day to day control and escalation of risks exceeding tolerance; they are responsible for the upwards reporting of risk on a quarterly basis (in coordination with the Resilience Hub).

3.14 **The Resilience Hub** act as an equalizing function to constructively challenge risk evaluation, manage risk escalation and coordinate risk reporting and to assess the ongoing effectiveness of controls and the continuous improvement of risk management on behalf of the Senior Management Team. The Resilience Hub play a vital role in coordinating the development and integration of risk management with all other resilience 'protective disciplines'.

3.15 **Risk Owners (Management Team)** are responsible for ongoing, consistent and thorough risk management (ongoing identification, analysis, suggested evaluation

and treatment of 'their' risks) within his/her Portfolio and programmes of activity. They will 'own' specific risks and are accountable to Senior Management and the Audit and Risk Committee for all aspects of managing the risks to which they are assigned ownership. Risk ownership should not constrain discussion and pertinent points being raised by other members of the management team. Ultimately, the decision on how to respond to a risk resides with the appropriate accountable officer

3.16 **Scottish Government:** The Scottish Public Finance Manual (SPFM) stipulates that an audit and risk committee in an Executive Agency or sponsored body has to notify the relevant portfolio audit and risk committee if it considers that it has identified a significant problem which may have wider implications. Accountable officers have established communication lines in respect of Executive Agency and sponsored body performance.