

# Board Paper

2 October 2014

<b>Paper Title</b>	<b>Risk Management Policy</b>
<b>Paper Reference:</b>	<b>NRW B B 69.14</b>
<b>Paper Prepared By:</b>	

<b>Purpose of Paper:</b>	<b>Decision - To propose a policy for the management of risk and relevant next steps</b>
<b>Recommendation:</b>	<b>The Board is asked to agree the risk policy and endorse the next steps</b>
<b>Decision Required:</b>	<b>Yes</b>

## **Issue**

1. The purpose of the paper is to formally adopt the risk management policy for Natural Resources Wales (**Annex 1**) initially considered by the Audit and Risk Assurance Committee in September 2013.

## **Background**

2. Risk is the possibility that an action or event will adversely or beneficially affect our achievement of a planned objective. The identification, assessment, monitoring, management and reporting of risks are the responsibility of every member of staff and as a consequence of managing identified risks:
  - The planned objectives are more likely to be achieved
  - Adverse risks are less likely to happen
  - The impact of adverse risks which are realised is reduced.
3. Effective risk management is therefore regarded as a critically important part of our work because it greatly reduces the chances of surprises adversely affecting us and, at the same time, increases confidence on the part of our internal and external stakeholders.

## **HM Treasury guidance**

4. HM Treasury and the National Audit Office's work have highlighted a number of desirable improvements in the management of risk, including:
  - Better strategic risk management and leadership of change;
  - Recalibrating tolerance for well managed and calculated risk taking;
  - Improving capabilities in managing risk;
  - Better horizon scanning and ability to address uncertainties and emerging risks; and
  - More emphasis on culture and behaviour.
5. To support these improvements the Treasury has developed risk management guidance, attached as **Annex 2**, as part of the latest edition of Managing Public Money published in July 2013. The guidance has been designed to be the core guidance on risk management for government departments and arms-length bodies. This guidance is likely to be included in the next revision to Managing Welsh Public Money, and will therefore form the basis of our risk guidance.

6. The decision to include risk guidance within Managing Public Money (rather than as separate guidance such as *The Orange Book*) supports the consensus that risk management should be part of mainstream management, and not a separate activity.

### **Our Policy**

7. The policy attached as **Annex 1** has been developed with input from the Head of Audit and Risk Assurance for Natural Resources Wales, Martin Veale. Martin has input in 'consultancy' mode to the Director of Governance, to ensure that the Internal Audit function is not compromised with management responsibility for a policy area that will be audited in due course.
8. The Audit & Risk Assurance Committee and Executive Team have considered and amended the draft policy.

### **Risk reporting**

9. Risk reporting should be hierarchical; all staff have a role in identifying and managing risk and these should be captured as part of the construction of team, directorate and corporate risk registers.
10. Each directorate has already developed a risk register as part of their Directorate Delivery Plan. Dependent upon the size and complexity of each directorate, there may be benefit in individual team holding local risk registers which build into the directorate level registers. In addition, specific projects (e.g. major capital schemes, transition workstreams) will merit having their own risk registers and these should too be included in the directorate level register. Directorate risk registers should be reviewed as part of the ongoing management of the directorate and more formally on a regular basis in directorate team meetings.
11. The directorate registers build to form a high-level corporate risk register which captures the highest risks in the organisation. These risks are considered regularly by the Executive Team and also by the Audit and Risk Assurance Committee as a standing agenda item.
12. In addition to our corporate risk register focused on the operational issues primarily in the control of the organisation, ARAC has been discussing the merits of a strategic risk register for the environmental and natural resource management risks that affect Wales. The current thinking is that the high level indicators in our Performance

Framework provide a good starting point for this risk assessment exercise and we will be taking this work forward in the coming months under the guidance of ARAC.

### **Next Steps**

13. To underpin the implementation of the policy the following next steps have been identified:

- Communication of the Board's work on different risk appetite, dependant on the function concerned
- Development of an equivalent to, or briefer version of, Risk Essentials, the Welsh Government's guide to risk management which has been issued to WG sponsored bodies as good practice;
- A "risk on a page" quick guide. Initial draft - **Annex 3**
- Provision of training where appropriate to raise understanding (three sessions have already been delivered by the Head of Audit and Risk Assurance); and
- Implementation of a wider communication strategy to support the embedding of a risk awareness culture throughout the organisation.

14. The key objective in providing such guidance is to ensure that management of risk is fully embedded at all levels, including in strategic planning, policy setting and decision making. This is important in driving better and more efficient delivery of services, utilising new service delivery models and addressing fraud and error, all of which require an effective, efficient, integrated and proportionate approach to the management of risk.

### **Financial Implications**

15. There are no financial implications arising from this paper.

### **Risks**

16. N/A