



**Muirhouse
Housing
Association**



**Muirhouse
Homes Ltd**

Policy: Group Risk Management

Title of Policy:	Risk Management (Group)
Date of Adoption or Last Review:	12 November 2018
Lead Officer:	Stevie McAvoy, Chief Executive
Date of Next Review:	November 2021
Regulatory Standards of Governance and Financial Management	Regulatory Standard 4 The governing body basis its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose.

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1. Introduction

- 1.1 Risk is present throughout Muirhouse Housing Association (MHA)/ Muirhouse Homes Ltd. (MH4), in its buildings, equipment, policies, systems, processes, staff, tenants and visitors. MHA recognises that the management of risk is vital to good management practice. It must be an integral part of all the functions and activities of the organisation.
- 1.2 The purpose of MHA's Risk Policy is to develop a consistent approach towards risk across the organisation and outline processes for recognising, analysing and dealing with risks as well as assuring the effectiveness of the identified processes. In addition, Risk Management should actively support the achievement of MHA's agreed objectives and not simply to avoid risk.
- 1.3 The Risk Policy is designed to enable MHA to minimise the frequency and effect of adverse incidents arising from risks and to identify improvements in procedures and service delivery in order to ensure the efficient and effective use of funds.
- 1.4 Risk management extends to the culture, processes and organisational structures, which contribute to the effective management of potential opportunities, threats and adverse incidents.

2. Scope of application

- 2.1 This policy is a group-wide policy. Any reference to Muirhouse Housing Association or MHA includes all members of the group, including but not limited to MH4 Limited.

3. Policy statement

- 3.1 MHA accepts that total elimination of risk is neither desirable nor achievable. It expects staff to take all reasonable steps to mitigate risk to a level within the appetite for risk. The level of risk accepted should be proportionate with the expected reward.
- 3.2 MHA, through its Board, Management and staff teams, promotes the integration of Risk Management in the governance and business as usual management of the housing association. Risk Management flows through our business at both strategic and operational levels.
- 3.4 MHA commits to using the principles of good or best practice in Risk Management to further develop and improve the effectiveness of its systems and processes of Risk Management.
- 3.5 Risk Management is an integral part of MHA's strategic planning and decision-making processes. For new initiatives and projects Risk

Management shall also be used to inform our decision-making process. Where there are issues arising or near misses, Risk Management processes maybe used as a means of understanding lessons learned.

4. Regulatory context

- 4.1 The Scottish Housing Regulator (SHR) is mandated by the Housing (Scotland) Act 2014, among other things, to provide guidance to RSLs to facilitate the achievement of its regulatory objectives.
- 4.2 Regulatory standard 4 issued by the SHR explicitly requires of all regulated RSLs that:
“The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation’s purpose”.

5. Risk

- 5.1 The meaning of risk within the context of MHA shall be:
“uncertainty of outcome, whether positive opportunity or negative threat, of actions and events”.

6. Bribery risk

- 6.1 The statutory guidance issued in support of the Bribery Act 2010 mandates that a bribery risk assessment is undertaken as part of establishing and maintaining ‘Adequate Procedures’, the sole defence open to an incorporated body in respect of a charge of having failed to prevent bribery. The legislation is drafted in such a way so as to have an accused evidence that they had Adequate Procedures rather than for the prosecution to prove they do not.
- 6.2 MHA will annually review and document its potential exposure to bribery risk as part of maintaining its Adequate Procedures. The Audit and Risk Committee will have oversight over the Bribery Register in line with the Anti-bribery Policy, whilst the Board will receive an annual update on any reported incidents.

7. Fraud risk

- 7.1 Fraud risk is specific type of risk associated with the robustness of MHA’s policies, processes, procedures and controls in preventing or detecting a fraud being perpetrated on MHA or by an employee. External auditors are under an obligation to consider fraud risk in their audit procedures over the financial statements; in particular in relation to income.

7.2 In reviewing its policies, procedures and internal controls the Management Team and Board will consider the extent to which fraud might reasonably be prevented or detected. In support of this, MHA will annually review and document its potential exposure to fraud risk in line with the Fraud and Corruption Policy.

8. Definitions

- Board – being the governing body under the constitution of MHA which bears ultimate responsibility for the organisation.
- Corporate/strategic – risks that affect the achievement of the strategic objectives of the organisation as a whole.
- Inherent risk – the evaluation of the raw risk without any consideration of mitigation. The extent of risk without any consideration of mitigation.
- Management Team – for the time being MHA’s Chief Executive, Finance and Corporate Services Manager and Housing Services Team Leader.
- Mitigating Actions – those steps remaining to be taken in the Mitigation Strategy for any given risk.
- Mitigation – these steps already taken in the Mitigation Strategy for any given risk.
- Mitigation Strategy – plan which seeks to reduce the probability of a risk occurring or ameliorate the impact of the risk.
- Operational/service risk – those predominantly related to the operation of specific areas of MHA.
- Opportunity – An uncertain event which if it was to occur would have a favourable and advantageous effect on the likelihood of achieving MHA, operational/service or project objectives.
- Project/programme – risks associated with independent and, usually, time limited activities.
- Residual risk – the evaluation of the level of risk after taking mitigating actions. This is used to track and monitor risk and ensure that the level or residual risk remains within the organisation’s risk appetite.
- Risk appetite - being the extent to which the organisation will tolerate different types of risks. For the purpose of defining appetite, major classes of risk are identified and the level of tolerance is narrated for that class of risk.
- Risk Management - the culture, processes and organisational structures, which contribute to the effective management of potential opportunities, threats and adverse incidents.
- Staff – being all employees of the organisation including the Management Team.
- Threat - An uncertain event which if it was to occur would have a material negative effect on the likelihood of achieving organisational, service or project objectives.

9. Roles and responsibilities

9.1 Board

9.2 The role of the Board is to ensure that their collective agreed appetite for risk is properly articulated and used as a factor in all strategic decision-making.

9.3 The Board will also obtain assurance, through its Audit and Risk Committee, that the Risk Management process is and remains effective without creating an unnecessary burden; the Risk Management process should be embedded in day to day activity and not exist as a stand-alone process.

9.4 Audit and Risk Committee

9.5 The Audit and Risk Committee is a formal sub-Committee of the board specifically charged with oversight of the assurance services to the Association and the obtaining of assurance over the effectiveness of operation of the Risk Management process on behalf of the Board. The Audit and Risk Committee shall consider and obtain assurance over the completeness and relative accuracy of the Risk Register.

9.6 Management Team

9.7 The role of the Management Team (CEO, Finance and Corporate Services Manager and Housing Services Team Leader) is responsibility for ensuring that the implementation of strategic and business plans remain within the agreed risk appetite for MHA.

9.8 The Management Team shall also ensure that the Risk Management process operates properly from day-to-day and that it is effective in its implementation.

9.9 Staff

9.10 All staff are responsible for the management of risks for which they have been allotted ownership or for which they have been given responsibility for implementing actions on.

9.11 Staff are closest to the operation of the organisation and therefore best placed to identify risks – uncertainties – as they occur and for escalating them as appropriate.

9.12 **Internal audit**

9.13 Internal audit has the responsibility for advising and confirming that:

- the Risk Management Policy is consistently applied to all areas of our business;
- the policy and its operational application are reviewed on in accordance with the agreed schedules;
- non- compliance with this policy is reported to the Board.

10. **Risk management process**

10.1 **Outline**

10.2 MHA has adopted a Risk Management process which follows the principles of ISO31001 on Risk Management. MHA will follow a six stage process which aims to:

- Identify risk in a timely manner;
- Evaluate risk utilising the framework set out in this document;
- Mitigate risk in accordance with agreed action plans;
- Report risk using the agreed Risk Register template;
- Monitor risk from time to time to ensure actions are being delivered and mitigation remains effective; and
- Risks are reviewed to ensure that new risks are identified, evaluations remain current, dormant risks are agreed as being dormant and no longer require to be monitored.

10.3 **Identification**

10.4 New risks may be identified, evaluated and recorded at any time. Ordinarily, following each revision of the strategic and business plans routine consideration will be given to potential uncertainties around achieving the objectives therein.

10.5 **Evaluation**

10.6 Evaluation is the process of considering the potential effect of a given risk on the ability of the organisation to achieve strategic or operational objectives. Each risk shall be evaluated in terms of:

- The likelihood that it will crystallise; and
- The severity it would have should it crystallise

10.7 Likelihood and severity shall be evaluated in accordance with the following scale:

Likelihood ↑	5	10	15	20	25	Likelihood of Risk 1 - Very unlikely 2 - Unlikely 3 - Fairly unlikely 4 - Likely 5 - Very likely	Severity of Risk 1 - Insignificant 2 - Minor 3 - Moderate 4 - Major 5 - Catastrophic
	4	8	12	16	20		
	3	6	9	12	15		
	2	4	6	8	10		
	1	2	3	4	5		
	Severity →					Likelihood x Severity = Risk Level	

10.8 The Risk Level shall be reviewed in accordance with the following:

Key:		
Red	17-25:	Unacceptable level of risk exposure, which requires constant monitoring by the Board of management.
Orange	10-16:	Tolerable level of risk exposure, subject to quarterly monitoring and proactive control measures agreed by the Audit and Risk Committee.
Yellow	5-9:	Adequate level of risk exposure subject to biannual monitoring and proactive control measures agreed by the Audit and Risk Committee.
Green	1-4:	Acceptable level of risk subject to annual monitoring by the Audit and Risk Committee.

10.9 Recording

10.10 A template risk register based in MS-Excel is available via the Corporate Services Team Leader; see Appendix 1. The Corporate Services Team Leader holds responsibility for the management, but not the completion, of Strategic and Operational risk registers, except as described below.

10.11 Each Risk Owner is responsible for ensuring that the risks for which they are responsible are properly maintained. The Corporate Services Team Leader shall fulfil that role on behalf of, and in conjunction with, the Chief Executive and Chair of the Board where the Board is named as a Risk Owner.

10.12 Each Action Owner is responsible for ensuring that the actions for which they are allocated responsibility are delivered, and that the Risk Register is updated, in a timely manner.

10.13 Monitoring and Review

10.14 The risk profile of MHA will be reviewed formally by the Management Team quarterly. Following review, the revised Risk Register shall be presented for

detailed consideration by the Audit and Risk Committee in line with the recommendations as can be seen in section 10.8 of this Policy. The Board will consider the whole Risk Register annually at the meeting where the audited financial statements are presented for approval. The Board will review 'key risks' quarterly (risks within risk level 17-25). In the event of a significant change in the content of the Risk Register or the emergence of a material risk between formal reviews, the Management Team or Audit and Risk Committee may bring that to the attention of the Board.

11. Risk mitigation

11.1 A risk Mitigation Strategy is a plan which seeks to mitigate the risks and safeguard investment and service delivery activities. This is achieved through proactive actions that

- reduce the probability of a risk occurring or
- ameliorate the impact of the risk.

11.2 Typically, a Risk Mitigation Strategy comprises of four approaches to deal with the risk:

Name	Meaning
Accept	Take no further pre-emptive action to address the risk. It may be impractical or not cost effective to take action.
Avoid	It is the action that avoids any exposure to the risk whatsoever. Risk avoidance is usually the most expensive of all risk mitigation options.
Transfer	the action of handing risk off to a willing third party. For example, insurance, outsourcing, etc..
Treat	Development and implementation of an action plan to take steps to reduce the probability of a risk crystallising or to reduce any impact crystallisation may have.

11.3 A Risk Mitigation Strategy is not necessarily a separate plan or document but may comprise a combination of the Current Controls and Planned Controls as recorded in the Risk Register. Where a risk is considered to be of fundamental importance to MHA, it may be prudent to have a separate paper which sets out how a risk is being mitigated and progress towards achieving it.

Appendix 1

Risk Register Template

The Risk Register template, based in MS Excel, collects risk data in a simple to use data entry sheet that permits free text and easy updating, whilst being linked to a main Register providing an overview over all current risks.

Risk ID	Risk	Risk Level	Status	Risk Owner
Risk Details		Risk Analysis		
Risk Impact		Before Controls		
		Likelihood =	Severity =	
		Previous Review		
		Likelihood =	Severity =	
Current Controls		After Controls		
		Likelihood =	Severity =	

Appendix 2

Risk Heat Map

The risk heat map is populated from the Risk Register template. Allocation to a given grid square is dependent upon the numeric value of the Likelihood and Severity evaluation multiplied out using the evaluations seen in section 10.8 of this Policy. The result will be a value from 1 to 25; the grid below illustrates what a sample heat map may look like.

Likelihood	Very likely				1, 2, 4	
	Likely			10, 11, 13		3
	Fairly unlikely			6, 8, 9, 12, 14,	7, 17	
	Unlikely		18, 19	15, 16	5	
	Very unlikely					
		Insignificant	Minor	Moderate	Major	Catastrophic