Believe in children Barnardo's	Barnardo's Guidance Document

Risk Management Guidance

Sponsor:	Corporate Director – Business Services
Owner:	Risk & Compliance Manager
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1.0 INTRODUCTION

The purpose of this document is to describe Barnardo's approach to risk management. Risk management supports the taking of informed decisions about the risks that may affect performance across the range of Barnardo's activities, including those related to strategy, finance, operations and projects. Its aim is to ensure a consistent, proportionate and effective approach to dealing with risk by:

- Communicating the benefit of a consistent approach to risk management.
- Giving clear instruction on when risk management activities should be conducted.
- Setting and communicating the standard of risk management that is required.
- Describing the process for communicating and embedding the risk management process.
- Describing the process for monitoring the implementation of the approach and the application and effectiveness of the approach.

1.1 Why is Risk Management Important?

Risk-taking is inevitable if an organisation is to deliver its aims and objectives and achieve its goals.

Risk management ensures the organisation is conscious of the risks it faces and is focused on taking the 'right' risks and avoiding the 'wrong' ones.

Effective risk management reduces the number of shocks and unwelcome surprises. It also reduces the amount of management time and cost spent 'firefighting'.

1.2 What is Risk?

Risk relates to uncertain events which, should they happen, will affect the achievement of the aims and objectives of the organisation or project. Risk reflects the combination of the probability of a perceived threat (or opportunity) occurring and the magnitude of its impact on aims and objectives.

Threat is a term used to describe an uncertain event that could have a negative impact on aims and objectives (i.e. the potential downside).

Opportunity is a term used to describe an uncertain event that could have a favourable impact on aims and objectives (i.e. the potential upside).

1.3 What is Risk Management?

Risk Management is a discipline which provides confidence in the ability of an organisation to deliver its aims and objectives by helping it not to fall victim to the unexpected or unintended due to lack of visibility, knowledge or control, whilst encouraging the pursuit of appropriate opportunities. It is a process that supports good decision-making, increasing the understanding of potential risks and their likely impact, prompting action to prevent downside risks from occurring, or to limit their impact, and supporting the pursuit of upside risks or opportunities.

Risk management is a continuous and live process; it is not a 'one-off' initiative.

1.4 Where and when should Risk Management be applied?

In simple terms, risk management should be applied most rigorously and regularly where critical decisions are being made and critical activities are being undertaken. Risks can impact Barnardo's in the short, medium and long-term and their magnitude can vary. Some risks will be of such significance that they may affect the achievement of the objectives of Barnardo's as a whole. Other risks may only affect ongoing operational objectives in specific parts of the organisation. Barnardo's risk management process provides a framework for the identification and management of both Corporate-level and operational risks.

Barnardo's formally identifies and assesses the key risks it faces as part of the enterprise risk management processes. This is documented in a Corporate Risk Register. The Corporate Risk Register is reviewed by the Board of Trustees and by the Audit & Risk Committee. In between these reviews, the monitoring of progress on completion of remediation actions is included on the Corporate Leadership Team (CLT) agenda as appropriate. Operational risks are also managed and monitored by the respective divisions, departments or projects as part of business as usual management routines and these are also documented in Risk Registers.

Risks arise in relation to projects/initiatives designed to deliver Barnardo's strategy and in the day-to-day 'business as usual' activities which support the achievement of Barnardo's objectives. For projects, effective risk management should be a key element at the planning phase as this is where the ability to influence project outcomes is highest and most cost effective. If the initiative proceeds, then the related risks should be reviewed regularly as part of project management routines.

The benefits of this approach to risk management are best realised when it forms part of 'business as usual'. Risks, and the most effective and appropriate methods to manage them, should be considered as part of business planning and budgeting activities and at the outset of any new project, service or product. This helps to reduce the number of shocks and unwelcome surprises. It also reduces the amount of management time and cost spent 'firefighting'.

Details on specific roles and responsibilities in the risk management process can be found in the Roles and Responsibilities section of this document (see Figure 5).

2.0 THE FIVE STAGE RISK MANAGEMENT PROCESS

Barnardo's has adopted a five-stage risk management process (see Figure 1) to manage risk effectively, efficiently and coherently across the organisation. The approach, advocated by the Institute of Risk Management, enables any form of risk to be managed in a systematic, transparent and proportionate manner.

2.1 Stage 1 – Establish Context

As the purpose of risk management is to provide confidence in the ability of an organisation to deliver its aims and objectives by not falling victim to the unexpected or unintended due to lack of visibility, knowledge or control the process can only begin when it is clear what the aims and objectives are. If this principle is not understood or adhered to, the context and boundaries for the risk management activities become vague, leading to valuable time and resource being wasted on managing potential risks which could be irrelevant. If at any time one or more of Barnardo's aims and objectives change, risks should be revisited.

Output of Stage 1 will be a list of the aims and objectives for the organisation, department or project that the process is being applied to.

2.2 Stage 2 – Risk Identification

During this stage risks are identified. The aim is to generate a comprehensive list of potential risk events that might prevent, degrade or delay the achievement of the aims and objectives agreed in Stage 1. A thorough and systematic approach should be taken because a risk event that is not identified at this stage may not be effectively managed later. External risks, e.g. the economic environment, should also be considered here. Whilst it is accepted that Barnardo's is not able, for example, to influence or control the probability of the economy improving or deteriorating, the organisation can determine what steps could be taken to reduce potential negative impacts.

A broad range of people with appropriate knowledge should be involved in identifying risks. Those involved should include, at a minimum, people with the ability to influence a risk or who could be impacted by the consequences of the risks occurring.

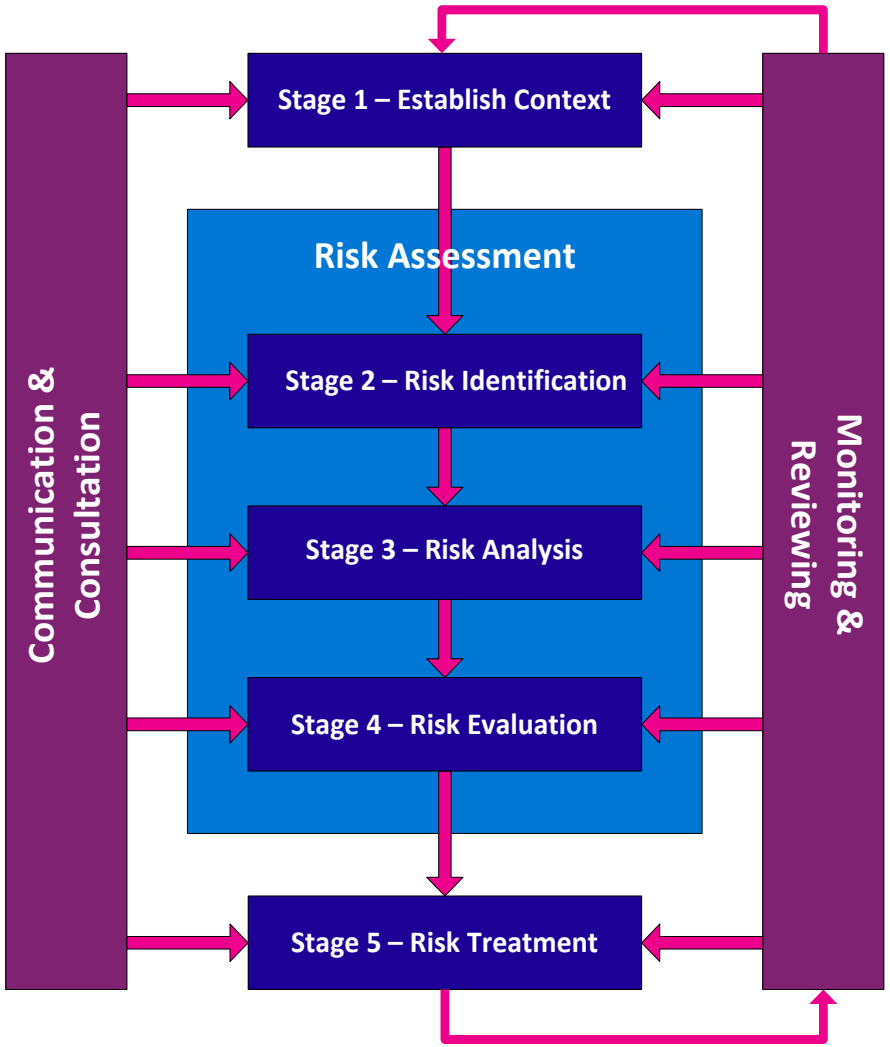

Figure 1: Five-Stage Risk Management Process

Output of Stage 2 is a comprehensive list of potential risk events which, should they occur, will have an adverse effect on the aims and objectives agreed in Stage 1.

2.3 Stage 3 – Risk Analysis

The aim of Stage 3 is to develop a better understanding of the risk. A correctly defined risk reflects the potential risk event, its cause(s) and the potential consequence(s) of the risk event. The magnitude of the exposure to a risk is derived from the probability of the perceived threat occurring and the scale of its impact on the aims and objectives of the organisation, department or project. A risk event can have more than one cause and more than one consequence.

Risk event – A description of the area of uncertainty in terms of the threat.

Risk cause – This should describe the source of the risk that might cause the risk event to happen. Causes are often referred to as 'root causes' and 'risk drivers' and can be internally or externally driven.

Risk consequence – This should describe the impact(s) that the risk event will have on aims and objectives should it materialise.

In addition to the above, existing controls, and their related effectiveness and efficiency, should be considered and documented during this stage. Stages 2 and 3 would normally occur at the same time.

Output of Stage 3 will be a comprehensive list of the potential risk events with corresponding potential cause(s), perceived consequence(s) and related relevant internal control(s).

2.4 Stage 4 – Risk Evaluation

Once potential risks have been identified they must be scored in order to identify those risks that have the highest potential to prevent the achievement of Barnardo's objectives. This will enable Barnardo's to focus valuable time and resource in the areas where they will have the greatest impact.

During Stage 4 each risk will be evaluated using Barnardo's risk criteria for likelihood and impact to determine a risk score and to determine whether or not the current level of risk exposure is within Barnardo's risk appetite. For each risk identified and analysed (as part of Stages 2 and 3) a score will be agreed for the likelihood and the impact, using the agreed scoring criteria (see Figures 3 and 4). The total risk score is calculated as follows:

Risk Score = (L x I) + I

Where L = Likelihood and I = Impact

A standard template - the Risk Register - has been developed to record identified risks and their scores.

Output of Stage 4 will be a list of risks, with their corresponding potential cause(s) and perceived consequence(s) scored for likelihood and impact.

Definitions for Likelihood and Impact scores are set out in the tables at Figures 2 and 3 below.

Figure 2: Likelihood Scores and Descriptions

Occurrence Descriptor	Probability of Occurrence	Severity Score
Highly Unlikely	< 5% (Likely to occur only in exceptional circumstances and / or highly unlikely to occur in the life of the medium term financial strategy)	1
Unlikely	Between 5% and 25% (Expected to occur in a few circumstances and / or unlikely to occur in the life of the medium term financial strategy)	2
Possible	Between 25% and 50% (Expected to occur in a reasonable number of circumstances and / or possible to occur in the next financial year)	3
Probable	Between 50% and 90% (Expected to occur in many circumstances and / or probable to occur in the next financial year)	4
Almost certain / Highly Probable	Between 90% and 100% (Expected to occur in most circumstances and / or almost certain to occur in the next financial year)	5

Figure 3: Impact Scores and Descriptions

Impact Category	Impact Score	Financial	Service	Reputational
Extreme / Catastrophic	5	Potential impact on financial performance or position (i.e. net of directly related expenses income) of >£20m, or 40% of turnover in relation to fees and grants for service provision	Potential extreme adverse impact on Barnardo's service provision (including our service users), employees or third parties, (measured on a suitable basis and taking into account the nature of the impact), including: loss of a key service provided by Barnardo's for a significant period / outside the agreed recovery period, with resultant impact on our service users; loss of a key system for a significant period / outside the agreed recovery period; or failure / deteriorating performance of a key supplier.	High likelihood of: significant adverse impact on our reputation with relevant external stakeholders, which could result in loss of beneficiary confidence, including any public/formal censure; widespread or recurrent adverse media coverage at a national level, which is not avoidable; or claims or complaint / litigation against Barnardo's which could result in damages > £20m.
Major	4	Potential impact on financial performance or position (i.e. net of directly related expenses income) of between £5m and £20m	Potential major adverse impact on Barnardo's service provision (including our service users), employees or third parties, (measured on a suitable basis and taking into account the nature of the impact), including: our service provision being disrupted (within defined recovery period), with resultant impact on our service users; loss of a key system (within the defined recovery period); or failure / deteriorating performance of a key supplier that meets other significant level impacts.	High likelihood of: an adverse impact on our reputation with relevant external stakeholders; adverse media coverage at a local or national level which may be considered material; or probable claim or complaint / litigation against Barnardo's which could result in damages of between £5m and £20m

Moderate	3	Potential impact on financial performance or position (i.e. net of directly related expenses income) of between £0.5m and £5m	Potential moderate adverse impact on Barnardo's service provision (including our service users), employees or third parties, (measured on a suitable basis and taking into account the nature of the impact), including: some service provision disruption with resultant impact on our service users, which is recoverable within a short period; some system disruption, which is recoverable within a short period; or failure / deteriorating performance of a key supplier that meets other moderate level impacts.	High likelihood of: our reputation being impacted / tarnished with relevant external stakeholders; potential for adverse media coverage at a local level, which may be mitigated or avoidable with appropriate handling; or potential claim or complaint / litigation against Barnardo's which could result in damages of between £0.5m and £5m
Minor	2	Potential impact on financial performance or position (i.e. net of directly related expenses income) of between £50k and £0.5m	Potential minor impact adverse impact on Barnardo's service provision, including our service users, employees or third parties, (measured on a suitable basis and taking into account the nature of the impact), including: slight service or system disruption; minor failure / deteriorating performance of a key supplier that meets other minor level impacts	High likelihood of: our reputation being slightly impacted with relevant external stakeholders; or potential claim or complaint / litigation possible against Barnardo's with minor damages (i.e. between £50k and £0.5m)
Insignificant	1	Any impact which does not meet the threshold for a Minor classification, with a financial impact of less than £50k		

For Impact, five categories are used, ranging from Insignificant to Extreme / Catastrophic, calibrated dependent on the potential Financial, Service or Reputational impact the risk would have.

- Financial – potential impact on Barnardo's financial position or performance arising from the risk.
- Service - potential adverse impact on Barnardo's service provision arising from the risk, including impact on our service users, employees or external suppliers.
- Reputation – potential adverse impact on Barnardo's reputation arising from the risk across all relevant stakeholders, including local authority, government, regulators etc.

The following should be borne in mind when considering the Impact score:

- When assessing the potential impacts in relation to Financial measures, it is essential to consider:
  - financial performance – namely on the financial position of Barnardo's after the (variable) expenses directly attributable to that income have been deducted. For example, the financial impact of the loss of a contract should be determined net of directly related staff expenses that would, for example, be TUPE'd out as a result; and
  - the financial impact of external market changes and the behaviour and actions of other organisations (whether they be commissioners, partners or competitors).

- When assessing the potential impacts in relation to Service Provision (including to employees or third parties), it is essential to consider:
  - whether there could be reputational impact as a consequence;
  - both the volume of people impacted and the nature of the impact. For example, a relatively severe and visible impact on a small group of people could potentially be deemed more significant than a small impact on a much larger group of people;
  - in relation to failure/deteriorating performance of a key supplier, it generally relates to critical suppliers and may be due to:
    - failure to provide the services altogether (e.g. due to their financial failure); or
    - failure to meet required service levels and / or standards;
  - in relation to loss of key system or service, this generally will be in relation to a key system or service which is pivotal to Barnardo's being able to continue to provide its services; and
  - the potential impact on service provision of external market changes and the behaviour and actions of other organisations (whether the they commissioners, partners or competitors).

- The above provides guidance only, and judgement will be required in determining the classification for any risk since it does not cover all potential scenarios which may occur. This is particularly relevant for the Service and Reputational impacts.

2.5 Stage 5 – Risk Response

During this stage the most appropriate response to the risk will be identified. This will be done with reference to Barnardo's 'risk appetite' which is the amount and type of risk which we are willing actively to accept or engage with in order to achieve our long-term objectives. Barnardo's Risk Appetite Statement is approved by the Board of Trustees and is subject to regular review.

The options for how to respond to a risk include the following:

- **Terminate** the risk: Avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk in the first place or removing the risk source (for example, moving away from high-risk suppliers);
- **Treat** the risk: Taking further new action (adding to those controls currently in place) to influence further the likelihood or limit the potential consequences of the risk (for example, establishing effective crisis management);

- **Transfer** the risk: Off-loading the risk to another party or parties (for example, through contract terms and insurance);
- **Tolerate** the risk: Accepting the risk in its current state with no new action to be taken. The focus will then be on maintaining and monitoring the current controls; and
- **Take** the risk: Take the risk as it is viewed as an opportunity.

Selecting the most appropriate risk response option involves balancing the costs and efforts against the benefits derived, along with considerations of legal, regulatory, compliance and other requirements. Documenting the risk response can be as simple as recording the actions, owners and deadlines on the Risk Registers or, where appropriate, developing a specific risk response plan and linking it to the Risk Register. If required, the risk response plan should include the following information as appropriate:

- The reason(s) for selecting specific options and dismissing others, including planned benefits;
- The names of the people who have approved the plan, and those who will be implementing it;
- Details on specific actions, including timing and schedules;
- Details of resource requirements and contingencies;
- Performance measures; and
- Reporting and monitoring plans.

3.0 MONITORING, REVIEWING AND REPORTING

Monitoring, reviewing and reporting are integral parts of Barnardo's risk management process.

3.1 Monitoring and Reviewing

One of the fundamental aims of risk management is to be proactive and anticipate potential threats rather than just dealing with the impact of the consequences after they have materialised.

The Corporate Risk Register details the corporate-level risks to Barnardo's objectives. It will be reviewed annually by the Board of Trustees and at each meeting of the Audit & Risk Committee. The Corporate Risk Register details Risk Owners along with other relevant information on each risk; and each individual Risk Owner is required to be familiar with their Risk Register. Risk Owners should be the person or entity with the accountability and authority to manage the risk.

All Corporate Directors and Senior Managers will be expected to undertake, and implement outcomes from, regular reviews of activities in their business areas to ensure adequate provision is made to identify risks and respond appropriately and in a timely manner. Management should use a Risk Register to manage identified risks and report these. This should to be treated as a dynamic and ongoing process regularly updated and retained locally. This helps to ensure that, if appropriate, risks identified within business areas or activities are escalated in a timely manner.

During the risk reviews, consideration should be given to each risk to ensure it is still relevant and applicable and that the Risk Register is complete (including that any new risks have been identified and documented). It is good practice to note emerging risks for consideration during the regular reviews.

Reviews are formal and should include relevant people with appropriate knowledge and experience. They should consider:

- The status of the risks (including any changes in risk scores) and agree the 'top' risks;
- Ensure risk treatment actions are progressing as planned and having the desired effect (including the status of any secondary risks);
- Agree any risks that can now be closed and identify/discuss any new and emerging risks;
- Review all control measures;
- Review any assurances provided on the effectiveness and efficiency of related internal controls, in both design and operation;
- Review any lessons learned from events (including 'near-misses'), changes, trends, successes and failures;
- Review any changes in the external and internal context which can lead to a revision of risk treatments and priorities; and
- Agree the future planned risk management activities.

3.2 Reporting

Reporting is a key function of risk management to enable proactive and informed decision-making (be it to the Board of Trustees, Audit & Risk Committee, Corporate Leadership Team, Directorate management etc.) and therefore:

- Risk information needs to be formally reported regularly and clearly so it can be reviewed and responded to;
- Risk reports should be timely, focused, accurate and concise; and
- Risk reports should draw evidence-based conclusions and make clear the recommendations, highlighting where prompt responses are required to reduce a risk or capitalise on an opportunity.

As noted in section 2.4 above, it is necessary to consider the quantification of the risk by combining the effect of the likelihood and impact. Additional weight is placed on the impact dimension to provide some weighting in the scoring to low likelihood but high impact events.

This results in the following Risk Heatmap with associated colours:

5 Extreme / Catastrophic	10	15	20	25	30
4 Major	8	12	16	20	24
3 Moderate	6	9	12	15	18
2 Minor	4	6	8	10	12
1 Insignificant	2	3	4	5	6
	1 Highly Unlikely	2 Unlikely	3 Possible	4 Probable	5 Almost Certain

Figure 4: Risk Heatmap

Based on this methodology, the scoring is as follows:

- Red – major risks, net scoring 15+, ***must*** be reported to, and tracked by, the Audit & Risk Committee on at least a quarterly basis;

- Amber – significant risks, net scoring between 8 and 15, which ***must*** be reported to, and tracked by, the Corporate Leadership Team on at least a quarterly basis; and
- Green – net risks of a level that purely the Corporate Directorate in which they apply should report and monitor them.

In all cases, the reporting and tracking should be done based on the net risk assessment, post the operation of currently existing management action / controls, where the nature, adequacy and effectiveness of the mitigating controls should be similarly tracked and reported.

In particular, if there are current controls in place to mitigate a risk which are deemed to be inadequate or ineffective then they should not be considered as part of the Net Risk Assessment. For this purpose:

- Inadequate means that the control/mitigation action is deemed to not mitigate the risk to which it is being applied; and
- Ineffective – means that, whilst the control/mitigation action is deemed to be adequate in mitigating the risk to which it is being applied, it is currently not operating effectively.

Controls / mitigation actions may be identified as inadequate or ineffective through a variety of routes, such as: internal risk assessment reviews; control testing; or Barnardo's Corporate Audit & Inspection Unit (CAIU) audits.

4.0 EMBEDDING THE APPROACH TO RISK MANAGEMENT

4.1 Building Awareness and Controlled Risk-taking

Barnardo's is committed to effective risk management and raising the awareness of the benefits of risk management to ensure:

- Risk identification occurs at all levels;
- Risks are reported and escalated appropriately and in a timely manner;
- Risks are assessed consistently;
- Risks are treated in an acceptable and appropriate way; and
- The continual improvement process is effective.

The above benefits are best realised when risk management forms part of 'business as usual'. Risks, and the most effective and appropriate methods to manage them, should be considered as part of business planning and budgeting activities and at the outset of any new project, service or product. This helps to reduce the number of shocks and unwelcome surprises. It also reduces the amount of management time and cost spent 'firefighting'.

Awareness is delivered by the ongoing operation of the risk management process across Barnardo's and by additional training and guidance as appropriate.

4.2 Monitoring the Process

The ultimate responsibility for monitoring the implementation of the approach to risk management, and its application and effectiveness, resides with the Board of Trustees. The Board is supported in this by the Audit & Risk Committee.

4.3 Roles & Responsibilities

It is the responsibility of **all relevant staff, agency workers, contractors and volunteers**, as applicable, to comply with Barnardo's Risk Management Policy and engage in any relevant training at appropriate intervals. The management of risk is an integral part of Barnardo's operations and activities. Every individual within Barnardo's is therefore responsible for identifying and managing risk.

The Board retains responsibility for assessing the adequacy and effectiveness of Barnardo's systems for the management of risk and internal controls. The Board is supported in this by the Audit & Risk Committee. A number of other Committees and groups will assist the Board and Audit & Risk Committee in internal control and risk management as appropriate.

Specific roles and responsibilities are set out in the table below:

Role	Responsibilities
Board of Trustees	The Board of Trustees sets the tone and shapes the culture of risk management in Barnardo's. Provides strategic direction and leadership including: • Protecting the reputation of Barnardo's; • Providing leadership on the management of risk; • Determining the risk appetite for Barnardo's; • Reviews and monitors the effectiveness of Barnardo's risk management and internal control arrangements; • Ensuring that assurances demonstrate that risk has been identified, assessed and all reasonable steps taken to manage it effectively and appropriately; • Endorsing any risk-related disclosure documents; and Ensure that this policy is in place and is appropriately communicated and embedded in the organisation, clearly highlighting its importance.
Audit & Risk Committee	Supports the Board of Trustees in reviewing the adequacy and effectiveness of Barnardo's risk management and internal control arrangements.
Chief Executive Officer and Corporate Leadership Team (CLT)	Act as the figureheads for the management of risk within the organisation.
	Reinforces the importance of adherence to this policy and all associated processes and procedures on an ongoing basis.
	Ensures the effective management of risk and compliance with relevant legislation.
Corporate Directors / Senior Managers	Understand Barnardo's Risk Management Policy, procedures and guidance, and their related accountabilities, and implements it within their area of responsibility.
	Manages the risk associated with their business, project and operational areas.
	Resources, operates and monitors the system of internal control.
	Identifies and reports any changed circumstances, risks and / or emerging risks.
	Promotes management of risk, its benefits and principles to staff; building a risk-aware culture and ensures that a risk-based approach is embedded in business processes.
Risk & Compliance	Develop, implement and manage the Risk Management Policy, procedures, guidance, structures and process.
	Ensures Barnardo's Risk Management Policy, procedures and guidance are embedded and implemented.
	Acts as a risk management champion; providing guidance and support, and where required, facilitation for risk management and decision-making activities.
	Develops and implements plans to improve the management of risk.
	Compiles risk information and prepare reports for the Board of Trustees and Audit & Risk Committee.
	Keeps up-to-date with risk management developments.

	Develops and monitors the risk management process for the development of an appropriate risk culture across all business activities.
	Receives and provides assurance on the management of risk.
	Assesses the internal controls in place to manage, mitigate or reduce risks; reports on efficiency and effectiveness.
All Staff	Understand and comply with Barnardo's Risk Management Policy and procedures.
	Report ineffective, inadequate, unnecessary or unworkable controls.
	Report incidents, loss events and 'near-misses'.
	Help identify and report or escalate risks to management.

Figure 5: Roles and Responsibilities

5.0 VERSION CONTROL

Version	Date	Author	Status	Approval (by / when)	Comments
0.1	April 2019	Risk & Compliance Manager	First Draft		First Draft
0.2	May 2019	Risk & Compliance Manager	Second Draft		Updated following comments from CAIU
1.0	August 2019	Risk & Compliance Manager	Final	Risk & Compliance Manager (Risk Management Policy Owner) / August 2019	Updated following comments from Audit & Risk Committee and Board of Trustees on, and approval of, Risk Management Policy