LBRO
Better Local Regulation

RISK MANAGEMENT POLICY

Purpose of this document
The risk management policy forms part of LBRO's internal control and corporate governance arrangements.

The policy explains LBRO's underlying approach to risk management, documents the roles and responsibilities of the Board and its Senior Management Team. It also outlines key aspects of the risk management process, and identifies the main reporting procedures.

In addition, it suggests a process the Board could use to evaluate the effectiveness of LBRO's internal control procedures.

Underlying approach to risk management
The following key principles outline LBRO's approach to risk management and internal control:

- the Board has ultimate responsibility for determining risk within the organisation as a whole
- an open and receptive approach to solving risk problems is adopted by the Board, where best practice will be recognised and a risk awareness culture promoted throughout the whole organisation.
- the Director of Resources advises the Senior Management Team and the Board on risk management
- the Director of Resources, together with executive support, advise and implement effective control measures against risks determined by the Board
- the organisation makes conservative and prudent recognition and disclosure of the financial and non-financial implication of risks
- members of staff are responsible for encouraging good risk management practice within their own teams
- key risk indicators will be identified and closely monitored on a regular basis
- **early warning mechanisms will be put in place and monitored to alert LBRO so that remedial action can be taken at an early stage to manage potential hazards.**

Role of the Accounting Officer (CEO)
The Accounting Officer's fundamental role is to ensure that a robust, effective risk management system is in place, in line with the Financial Memorandum and Management Statement.

Role of the Board
The Board's fundamental role in the management of risk is to:

a. Set the tone and influence the culture of risk management within LBRO. This includes:
   - determining whether LBRO is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue
   - determining what types of risk are acceptable and which are not (risk appetite)
   - setting the standards and expectations of staff with respect to conduct and probity.

b. Approve major decisions affecting LBRO's risk profile or exposure.

c. Reduce the likelihood of unwelcome surprises.

d. Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.

e. Annually review LBRO's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

Roles of the Director of Resources
Key roles are to:

a. Take overall responsibility for the administration and implementation of the risk management process;

b. Implement policies on risk management and internal control.

c. Identify and evaluate the significant risks faced by LBRO for consideration by the Board.

d. Provide adequate information in a timely manner to the Board and other committees on the status of risks and their control measures.

e. Report to the Board on any risk management action planning and implementation processes. Undertake an annual review of effectiveness of the system of internal control and provide a report to the Board. This report should be first considered by the Senior Management Team and auditors if appropriate.

Risk management as part of the system of internal control
The system of internal control incorporates risk management. It encompasses a number of elements that together facilitate an effective and efficient operation, enabling LBRO to respond to a variety of operational, financial, and commercial risks. These elements include:

a. Policies, procedures and control measures

Attached to significant risks are a series of policies and procedures that underpin the internal control process. The control measures are set by the Senior Management Team and implemented and communicated by senior management to staff. Written procedures support the policies where appropriate.

b. Reporting

A comprehensive structure of reporting is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular meetings of the Senior Management Team and the Board.

c. Business planning and budgeting

The business planning and budgeting process is used to set objectives, agree action plans, and allocate resources. Progress towards meeting business plan objectives is monitored regularly.

d. Programme/Project Risk Plans

Programme/project leaders will develop and use this framework and documentation to ensure that significant risks in their area are identified, assessed and monitored. Emerging risks will be added as required, and improvement actions and risk indicators will be monitored on a regular basis by the programme areas. Programme areas will create and maintain their own risk registers and identify and score risks pertaining to their particular areas of expertise. Risks identified that are considered common to all programme areas may be eligible for inclusion within LBRO's corporate risk register.

e. Moderation/Standardisation

A moderation panel will meet regularly to assess and judge the consistency given to the scoring of risks across all programmes and projects, to ensure a consistent approach by individual areas to the application of scoring and that a robust LBRO standard is maintained throughout the process.

Annual review of effectiveness

The Board may review the effectiveness of the internal control of LBRO, based on the information provided by the Director of Resources. A suggested approach is outlined below.

For each significant risk identified, the Board will:

- review the previous year and examine LBRO's track record on risk management and the efficiency of its internal controls
- consider the internal and external risk profile of the coming year and consider if current internal control arrangements are likely to be effective.

In making its decision the Board will consider the following aspects.

a. Control environment:

- LBRO's objectives and its financial and non-financial targets
- organisational structure and calibre of the Senior Management Team
- culture, approach and resources with respect to the management of risk
- delegation of authority and public reporting

b. On-going identification and evaluation of significant risks:

- timely identification and assessment of significant risks; and prioritisation of risks and allocation of resources to address areas of high exposure.

c. Information and communication:

- quality and timeliness of information on significant risks; and the time it takes for control breakdowns to be recognised or new risks to be identified.

d. Monitoring and corrective action:

- ability of LBRO to learn from its problems and its commitment and speed with which corrective actions are implemented.

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