

Risk Management Strategy

RISK Management Strategy

Choose ICT Limited, trading as CICT Training and referred to as CICT within this document.

What is Risk Management?

- Risk can be defined as uncertainty of outcome. Risk is ever present and a certain amount of risk-taking is inevitable if CICT is to achieve its objectives.
- Risk management implies adopting a planned and systematic approach to the identification, evaluation and control of the risks facing CICT and is a means of minimising the costs and disruption to CICT caused by undesired events.
- Risk management covers the whole spectrum of risks and not just those associated with finance, health and safety and insurance. It also includes risks associated with public image (reputation), the environment, technology, contracts/partnerships, projects etc.
- CICT also has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts & Audit Regulations 2015:-

“A relevant body must ensure that it has a sound system of internal control which:

- *facilitates the effective exercise of its functions and the achievement of its aims and objectives;*
- *ensures that the financial and operational management of the authority is effective; and*
- *includes effective arrangements for the management of risk.”*

The Benefits of Risk Management

The benefits gained from effectively managing risk include:

- **Improved strategic management**
 - Greater ability to deliver against objectives and targets;
 - Improved Decision Making

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- **Improved operational management**
 - Reduction in managerial time spent dealing with the consequences of a risk event having occurred;
 - Improved service delivery
- **Improved financial management**
 - Better informed financial decision-making
 - Greater financial control
 - Minimising waste and poor value for money
- **Improved customer service**
 - Minimal service disruption to learners and a positive external image as a result of all of the above.

RISK MANAGEMENT AIMS AND OBJECTIVES

- The aim of risk management is to ensure that CICT has an effective process to support better decision making through good understanding of risks and their likely impact.

The objectives of CICT risk management strategy are to:-

- Raise awareness of the need for risk management;
- Minimise loss, disruption, damage and injury and reduce the cost of risk, thereby maximising resources;
- Inform policy and decision making by identifying risks and their likely impact.

These objectives will be achieved by:-

- Establishing clear roles, responsibilities and reporting lines within CICT for risk management;
- Effective communication with, and the active involvement of CICT Directors;
- Monitoring progress in delivering the strategy and reviewing the risk management arrangements on an on-going basis.

ROLES AND RESPONSIBILITIES

- The table below outlines the key roles within the risk management framework:-

Directors	<ul style="list-style-type: none">• To determine CICT's risk appetite• To identify strategic risks• To determine actions to manage strategic risks• To monitor progress in managing strategic risks• Give solutions to risks as they arise•
Employees	<ul style="list-style-type: none">• To identify risks• To implement actions as instructed

• ARRANGEMENTS FOR MANAGING RISKS

- The risk management methodology to be employed at CICT is outlined in Appendix 1.

MONITORING ARRANGEMENTS

- To ensure that informed decisions are made, it is essential to identify key strategic risks. Strategic risks will be identified at Director level and will be documented in a Strategic Risk Register.
- Progress in managing strategic risks will be monitored and reported on to ensure that intended actions are delivered and risks managed.

Directors will:

- Identify and report weaknesses in the controls established to manage/monitor risks;

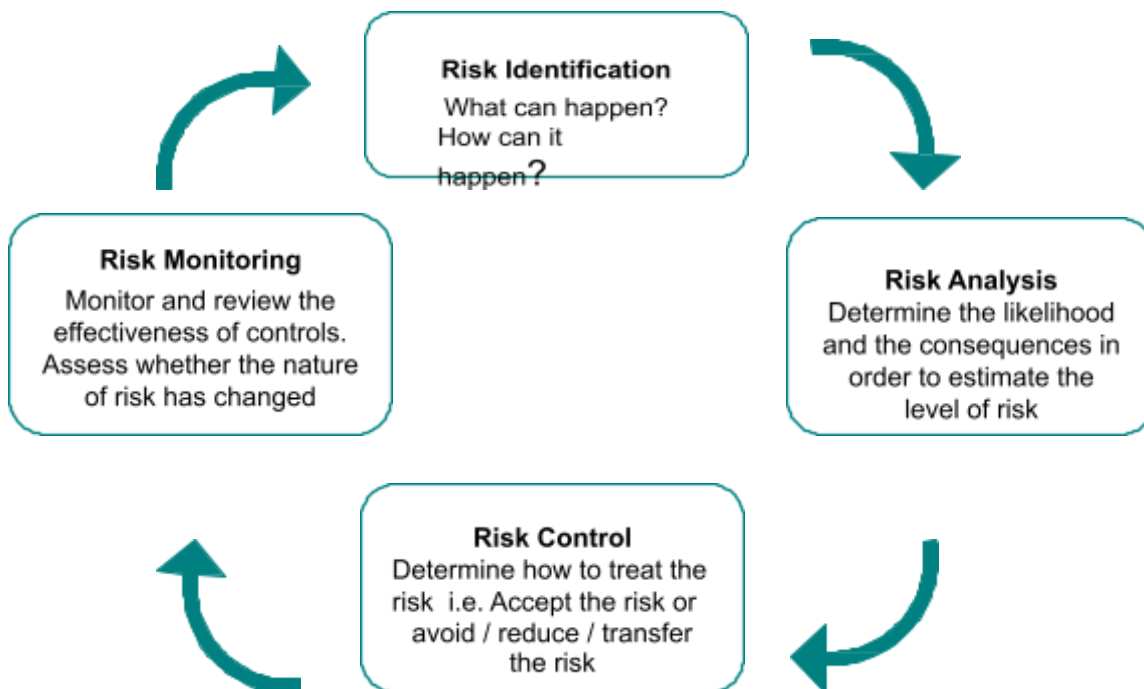
- Provide advice on the design/operation of the controls established to manage/monitor risk.

REVIEW OF RISK MANAGEMENT STRATEGY

As part of CICT risk management and controls process, incident management arrangements are reviewed at least annually by the company directors.

RISK MANAGEMENT METHODOLOGY

There are 4 key stages in the risk management cycle, as illustrated in the diagram below:-



The 4 stages of risk management are part of a cycle. Risk management is dynamic and so the identification phase needs to be carried out continuously.

Risk Identification

- Strategic and operational risks or threats will be identified as outlined in the Risk Management Strategy

Risk Analysis and Scoring

- Once risks have been identified they need to be assessed. This process requires risk owners to assess the level of risk by considering:-

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- The probability of an event occurring - “likelihood”; and
 - The potential severity of the consequences should such an event occur – “impact”.
- Not all factors are equally important and higher scores should be given to those risks considered to impact most on the achievement of objectives. The impact scores have therefore been weighted to reflect that more significance should be given to those risks with a medium or high impact than those with a medium or high likelihood.

IMPACT

Score	Description	Indicative Guidelines
5	Major/Serious Consequences	<p>The consequence is so bad that urgent action must be taken to improve the situation or prevent it worsening. External support from the Government or other agencies is likely to be needed:</p> <ul style="list-style-type: none"> • Major loss, delay or interruption to services • One off event which would de-stabilise CICT • Financial loss or additional costs or loss of assets which would have impact on CICT • The risk will cause the objective not to be reached, causing damage to the CICT’s reputation. • Will attract medium to long-term attention of legislative or regulatory bodies • Major complaints • Significant adverse media interest • Death or life threatening injury
3	Moderate/ Disruptive	<p>The consequence is sufficiently serious to require attention of external agencies and partners:</p> <ul style="list-style-type: none"> • Significant loss, delay or interruption to services • Medium term impact on operational efficiency or performance • Financial loss or additional costs or loss of assets which would have impact on CICT • The risk will cause some elements of the objective to be delayed or not achieved, causing potential damage to the organisation’s reputation. • May attract medium to short term attention of legislative or regulatory bodies • Significant complaints • Serious accident / injury (but not life threatening)

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1	Minor/Non Disruptive	<p>The consequences can be dealt with as part of the normal day-to-day business by staff member or management:</p> <ul style="list-style-type: none"> • Minor loss, delay or interruption to services • Short term impact on operational efficiency or performance • Negligible financial loss • The risk will not substantively impede the achievement of the objective, causing minimal damage to the organisation's reputation • No or minimal external interest • Isolated complaints • Minor accident / injury
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- Both gross and residual scores should be identified to effectively review and monitor the effectiveness of the controls in place.
 - **Gross Score** - The level of risk faced before internal controls/mitigating actions have been applied / implemented.
 - **Residual Score** - The level of risk faced after any internal controls/mitigating actions have been applied / taken into account.

Internal controls are CICT's other policies, procedures and processes or any additional controls or mitigating actions taken to deal with a particular risk. A judgement has to be made by the risk owner/facilitator as to the numerical reduction to the gross risk score to produce the residual risk score.

- The residual scores are then plotted onto the risk matrix, see below, which will determine the risk priority.

RISK		IMPACT		
		Minor/Non-Disruptive (1)	Moderate/Disruptive (3)	Major/Serious Consequences (5)
	Very Likely (4)	4	12	20
	Probable (3)	3	9	15
	Possible (2)	2	6	10
	Unlikely (1)	1	3	5

Risk Control

- Having identified and analysed the risks, it is necessary to decide what to do and who will do it. Priority will be given to the High (red) risks which will require immediate action plans.
- Medium (Amber) risks will require actions plans and / or to be closely monitored as appropriate.
- Low-scoring (Green) risks can be “accepted” and will not require actions plans. However, these risks will need to be monitored to ensure that controls remain operational to manage them and that such risks do not run out of control and become Medium (Amber) or High (Red) risks.
- Where it is not deemed appropriate to accept the risk, the risk will need to be controlled. Risk control is the process of taking action to minimise the likelihood of the risk event occurring and/or reducing the severity of the consequences should it occur. There are 3 main options for controlling risk; avoidance, reduction and risk transfer.
- **Risk avoidance** involves CICT opting not to undertake a current or proposed activity because it is considered to be too risky.
- **Risk reduction** is dependent on implementing actions which will minimise the likelihood of an event occurring or limit the severity of the consequences should it occur.
- **Risk transfer** involves transferring liability for the consequences of an event to another body.
- Most risks can be managed – either by minimising the likelihood of the risk occurring and / or reducing the severity of the consequences should the risk occur. Relatively few risks have to be avoided or transferred.
- CICT must judge which courses of control action are the most appropriate to address each of the risks they have identified, taking advice from other support services where appropriate.

The cost/benefit of each control action must be assessed. The benefits will not always be solely financial. Managers need to use their own professional knowledge and experience to judge whether the financial cost of risk control is justified in terms of non-financial benefit to CICT. On occasions, managers may

- conclude that the cost of the control action may outweigh the benefits which will accrue to the CICT as a result of the action being taken. In such instances, all or an element of the risk is retained. However, no statute should be breached when making this decision.
- For each risk actions should be identified, the officer responsible and timescales.
- Responsibility for drawing up the action plans lies with the Directors for strategic risks and operational risks.
- **Risk Monitoring**
- To complete the risk management cycle, there must be monitoring and review of:-

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- The implementation of the agreed risk control action plan;
- The effectiveness of the action in controlling the risk; and
- How the risk has changed over time.

Risk owners must monitor the implementation of the risk actions to ensure that responsibilities, deadlines do not slip.

As part of CICT risk management and controls process, incident management arrangements are reviewed at least annually by the company directors.

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