Tyne & Wear Archives & Museums

Risk Management Framework

Version: May 2016

Next Review: May 2018

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INTRODUCTION

This Risk Management Framework is made up of:
- A Risk Management **Policy**
- Risk Management **Procedures & Guidelines**
- Risk Management **Roles and Responsibilities**

The objectives of the Framework are to:

- Ensure that risk management is recognised as an integral part of good management practice and the delivery of TWAM objectives, by all relevant officers and by members of the Joint Committee.

- Explain the course of action that the Joint Committee shall adopt in order to embed excellent risk management practice within all levels of the Joint Committee.

- Introduce the Procedures & Guidelines that, together with the Policy, will enable officers and members to apply a logical and systematic method of risk management. The key stages of risk management are:

  - identifying risks;
  - assessing risks;
  - controlling risks;
  - reviewing and reporting risks; and
  - communication and learning.

- Ensure that the Procedures & Guidelines derived from this Policy are broadly in line with relevant regulation and legislation.

- Ensure that risk management becomes an integral and effective part of communication with appropriate disclosure of risk within and outside the Joint Committee.

1. RISK MANAGEMENT POLICY

Tyne & Wear Archives & Museums (TWAM) views the taking of risk as an essential part of the business of providing innovative and popular museums and galleries services. This applies equally to its management of core activities as well as its supporting activities.

Risk is not only about uncertainties and threats to services and our key objectives that have to be managed; it is equally about seizing opportunities that may help us achieve our aims.

As key elements of our Corporate Governance, risk management and internal control are linked to the fulfilment of the TWAM's Mission and Vision at all levels and in all areas.

TWAM also sees the strategic management of risk as an integral element within its decision-making processes and organisational culture. Key to this is the effective planning and evaluation of its activities, including encouragement of innovation and the management of change.

Good management involves effective risk management through the incorporation of systematic processes, engaging the whole of the institution, from its Joint Committee, its staff and volunteers, and all its key stakeholders and partners.

TWAM's corporate planning process is a critical element of the risk management process in that it assesses potential and possibilities, and how our activities can maximise public benefit. In addition, it identifies the opportunities and threats facing the business, and as far as possible, involves wide stakeholder participation.

The role of the Joint Committee and its Audit Committee is to set and monitor internal control policies and to assure themselves that they are working as they should managing risks appropriately.

It is the responsibility of TWAM management to implement those policies, to identify and manage risks, as a management activity.

In order to be effective, risk management has to be visible, be able to be monitored and audited, and explicitly incorporated into all major processes, with regular reporting to appropriate management and governance bodies on its operation.

TWAM seeks to promote the development of a risk management culture and through wide involvement of staff and stakeholders, seeks to ensure the process of planning and risk management is embedded throughout the organisation.

TWAM seeks through its risk management policy to secure efficiency, financial and operational benefits, through the early recognition and management of risk.

TWAM seeks to enhance the security and safety of staff and users by the management of physical risks.

The Risk Management Framework shall be monitored to ensure it remains informed by current best practice

- TWAM is not bound by the same requirements as the individual Stakeholders that make up its membership. Notwithstanding this fact, the Risk Management Framework has been created by reference to the standards set out in Appendix B.

- The Risk Management Framework will be reviewed every two years to ensure that it remains appropriate in the light of developing best practice standards.

2.   Procedures and Guidelines

2.1 Overall approach to risk management

Excellence in risk management helps secures public service and internal accountability, as well as providing a powerful tool to support management in achieving their objectives.

Effective risk management helps the achievement of wider aims in that it:

- supports effective change management
- supports efficient use of resources
- supports better project management
- minimises waste and fraud
- supports innovation
- minimises error
- assists business continuity
- enhances propriety and regularity
- encourages compliance with relevant law

2.2 Risk Management Principles

- Senior managers will foster a culture to support well-judged decisions about risks and opportunities, enabling innovation to be handled with confidence.

- The management of risk will be integrated into existing processes.

- Clear roles and definitions will be agreed relating to the accountability, management, escalation and communication of key risks.

- Risks will be managed at the lowest level at which the manager has the authority, responsibility and resources to take action.

- All managers will encourage openness and honesty in the reporting and escalation of risks.

- There will be a consistent approach to the assessment of risks and opportunities.

- The effectiveness of risk management will be subject to challenge through regular systematic assessment.

- TWAM will strive to continually improve the management of its risks.

2.3 The Risk Management Process

All identified risks will be recorded in a Strategic Risk Register or registers associated with venues, teams, major projects and significant partnerships. TWAM utilises Risk Management software to assist in the management of risks and the format of the software is designed to guide users through the stages of the risk management processes to facilitate logical identification, analysis and control of significant risks. The register captures relevant information about these stages and provides an important source of information in the future.

2.3.1 Risk Identification

This process identifies risks and seeks to answer the following questions:

- Are risks linked clearly to business objectives
- Have opportunities and uncertainties been identified as well as threats
- Have all the key risks been identified
- Where appropriate, have assumptions been analysed to help ensure that all risk areas have been considered
- Has accountability for the risk been agreed. Is it clear who has authority to decide how the risk should be handled
- Has the most appropriate way to identify risk been used
- Have all key stakeholders been identified and consulted

2.3.2 Risk Analysis

This part of the process seeks to identify the following:

- What level of risk are senior managers prepared to accept
- Has the **impact** of the risk on the business been assessed using agreed Risk Tolerance Table
- Has the **likelihood** of the risk materialising been estimated using agreed criteria
- Has the assessment of the risk considered the current internal control environment and the adequacy of those controls in mitigating the risk
- Have the risks been prioritized using the Risk Priority Matrix, to allow resource to be focused on areas of greatest need
- Have risks been grouped into categories to help identify common themes

2.3.3 Risk Control

- Have the options for dealing with the risk been properly considered, e.g.:
    - o **Transfer** the risk to a third party
    - o **Tolerate** the risk. Do nothing as investment in controls not judged to be likely to prevent the risk occurring or the risk is assessed as being so unlikely to materialise investment in controls offers poor value for money
    - o **Treat** the risk. Agree controls to put in place to manage the risk
    - o **Take Advantage** of the risk
    - o **Terminate** the risk. Stop the activity or function in which the risk resides
- Are the control measures proportional to the risk? (cost v/s benefit)
- Have resources been focused on containment, rather than removal
- Have managers identified future actions required to control the risk further, using SMART targets
- Does the risk need to be communicated to other parties in order for it to be addressed properly

2.3.4 Reviewing and Reporting risks

All Risk Registers will be reviewed at appropriate time intervals. Managers with risks scoring high on impact and likelihood need to discuss the risk with their senior manager and consider escalation to the Strategic Risk Register. The outcome of the Strategic Risk Register reviews will be incorporated as appropriate within the bi-monthly Monitor report to the Joint Committee and reported to Audit Committee on a regular basis.
The review process should seek to answer the following questions:

- Are mechanisms in place to confirm that agreed control actions are operating effectively
- Is the accountable officer content with the level of residual risk
- Are monitoring arrangements in place to allow the status of risks to be regularly confirmed
- Does the process focus upon the risk being managed (rather than the paperwork)
- Does the accountable officer formally provide assurance that the risks have been properly managed

During a review of the Strategic Risk Register any risk where the review concludes that the risk is sufficiently controlled that the target risk rating has been achieved, and this is Green, and is sustainable should be considered for de-escalation to the appropriate operational risk register.

2.3.5   Communication and Learning

Key risks will be discussed and communicated at relevant 1:1 meetings, management team meetings and escalated as necessary.

The risk management process is a continuous and developing process which runs throughout TWAM's strategy and the implementation of that strategy. It addresses methodically all the risks surrounding the organisation's activities past, present and in particular, future.

2.4   Risk in Decision Making

2.4.1   Member Reports

All reports to the Joint Committee for decision will make explicit their consideration of risk issues. This will include consideration of:
- The opportunities afforded by the recommendation(s)
- The possible uncertainties or threats which would arise upon approval and how those risks would be managed
- The risks which would arise if the recommendation(s) was not approved and how those risks would be managed

2.4.2   Major Projects & Partnerships

All major projects and significant partnerships will identify, manage and monitor significant risks presented by these arrangements with due consideration of legal, financial and other risk implications.

2.5   Arrangements for Risk Financing

2.5.1   Insurable Risk

In view of TWAM's current financial resources and the availability and cost of conventional insurance, insurable risk is financed through traditional insurance markets. There will continue to be regular reviews of alternative methods of insurance financing and self-funding options will be considered to ensure the optimum balance between risk retention and risk transfer is achieved.

2.5.2   Other Risk Financing measures

TWAM maintains a prudent level of resources to ensure that unexpected financial issues can be accommodated. These reserves are considered to be sufficient to cover the majority of risks that the TWAM may be exposed to (with the exception of catastrophic risks which, wherever possible, are insured against). The reserves are as follows:

Acquisitions Reserve: a fund to acquire objects for the collection.

Renewals Reserve: This reserve has been earmarked to provide sums in relation to Access, Information Technology and the Regional Museums Store Sinking Fund.

Future Repairs and Maintenance: This reserve was created to hold sums required to carry out essential repairs to museums.

Business Partners Reserve: Funds generated by businesses that support TWAM's work through the Connecting through Culture programme.

Earmarked Balances: The funds within this reserve have been earmarked to support revenue expenditure and projects in future years.

3. RISK MANAGEMENT ROLES AND RESPONSIBILITIES

3.1 Responsibility for managing risk

- **The Joint Committee** is responsible for all governance systems, including risk management systems, and will review the Risk Management framework, relevant Risk Registers and the risk implications of decisions as appropriate.

- **The Director** is the responsible officer with regard to managing risk. The Joint Committee shall support the Director in implementing this policy.

- **The Audit Committee** is charged with considering risk management and the internal control environment. This Committee will highlight relevant concerns surrounding weaknesses in risk arrangements and internal controls to the Joint Committee and/or Director as necessary. The Strategic Risk Register will be considered as part of the Review of Governance Systems to inform the production of Annual Governance Statement.

- **Senior Management Team** has delegated accountability to manage the risks relevant to their remit. They are expected to champion risk management, using it to help ensure that TWAM learns from past experience and build an understanding of the most cost-effective risk control actions.

- **Managers and staff at all levels** within TWAM have an important role to play in identification, assessment, addressing and reporting of risks within their work areas. They also have a role in identifying the need for the escalation and reduction of risks and reporting this to their line manager.

3.2 Independent assurance

- **Internal and External Audit** provide independent assurance on risk management and internal controls.

- **Annual Governance Statement** is an annual report published with the annual accounts which reviews the effectiveness of the governance systems, including the internal control environment and systems. The Risk Management Framework will provide information to support the annual review of the governance environment.

3.3   Role Definitions

The following role definitions shall be adopted in order to maintain and develop risk management within the TWAM.

- **Risk Owner** – The Risk Owner is ultimately responsible for ensuring an individual risk is managed. For the Strategic Risk Register the Risk Owner is usually a senior manager, with the ability to move resources, to whom the Risk Manager can refer difficulties in managing a particular risk.

- **Risk Manager** – the named individual who manages the risk on a day to day basis on behalf of the Risk Owner. This is the person who works with others to devise the Control Actions and secure resources to deliver them.

- **Control Measure Manager** – the named individual accountable for completion of a specific control action to agreed deadlines.

APPENDIX A - GLOSSARY OF TERMS

In addition in this Policy, unless the context otherwise requires, the following terms have the following meanings:

Joint Committee	Tyne & Wear Archives & Museums Joint Committee
Risk	The chance of something happening that may have an impact upon the achievement of objectives
Risk Management	Coordinated activities to direct and control an organisation with regard to risk
Assessment (of risks)	Overall process of risk analysis and risk evaluation
Identification (of risks)	Process to find and characterise elements of risk
Risk Management Framework	Single document describing the approach to risk
Risk Tolerance Table	The assessment "sieve" through which risks are passed in order to determine whether the level of risk impact is acceptable. The table provides a consistent definition of High, Medium and Low Impact thresholds.
Gross Risk Level	The level of inherent risk presented when controls are not present
Net Risk Level	The level of risk remaining after taking into account the operation of relevant controls
Risk Priority Matrix	A look-up table which establishes the priority of an individual risk, normally using the colour code of Red, Amber and Green. It can also include a numeric values to provide a view of levels of risk within the colour grading system.
Strategic Risk Register	A table of risks set out in a standard format to include Risk Identification, Risk Analysis and Risk Control information. The Risk Register is used as both a management and reporting tool
Annual Governance Statement	Annual statement on the review of the effectiveness of governance systems (including internal control systems), for which risk management is a key component

APPENDIX B – RISK REFERENCE STANDARDS

In creating the TWAM Risk Framework due regard has been taken of the following reference documents:

    1. ISO 31000:2009, *Risk management – Principles and guidelines*

APPENDIX C – PRIMARY REFERENCES FOR RISK IDENTIFICATION

The scope of risks to be included within the TWAM Strategic Risk Register is determined by the policy objectives set out in the following Documents:

- TWAM Corporate Plan
- Internal audit reports
- External audit documents
- Other inspection reviews