

Audit Committee – 23 September 2010

Risk appetite

Executive summary and recommendations

Introduction

The NAO recommends that organisations define a Risk Appetite to shape how risks are accepted and managed in that organisation.

The Risk Appetite that follows is the NMC Risk Register provided by PKF (our internal auditors) as an example of good practice.

Decision

The committee is asked to discuss the NMC risk appetite document that follows with a view to adoption of a similar or modified appetite at HPC.

Background information

Item 17.10/17 Statement on internal control – National Audit

Office guidance (report ref: AUD 13/10) 17.2 The Committee noted that the guidance stated that the Statement of Internal Control should describe the organisation's risk appetite. The Committee agreed that the Executive should prepare a paper for the next meeting, so that HPC could develop an appropriate statement on risk appetite.

Resource implications

None

Financial implications

None

Appendices

Appendix 1. National Audit Office. The Statement on Internal Control: A Guide for Audit Committees (January 2010) Risk and Control Framework section.

Date of paper

8th September 2010

NMC's risk appetite

- 1 The risk appetite indicates the level of risk that our organisation is willing to accept. The NMC has two different attitudes to risk, depending on the area of the business.
- 2 Directors will manage risks in a manner appropriate to public protection. The Executive Management Board endorses the risk management policy and has a Cautious attitude to risk, as defined by HM Treasury, with regard to corporate risk. That is to say that our preference is for safe options that have a low degree of inherent risk. We take a Cautious attitude to risk in relation to IT developments and accommodation where we consider all options and choose the one that is the most likely to result in successful delivery whilst providing an acceptable level of reward.
- 3 Directors are aware that, due to the regulatory nature of our work and the wider regulatory context in which the NMC operates, if certain processes are not carried out correctly, there could be a risk to patient and public safety. In these circumstances the directors will seek to implement policy and procedures that reduce those risks as far as possible.
- 4 In addition, the Executive Management Board has an Averse attitude to risk around public protection, financial impact, health and safety, security of sensitive data and safeguarding public confidence. Examples are in the following areas:
 - Our responsibilities for our new entrants to the register and the maintenance of related policies and standards
 - Fitness to Practise hearings, panel training and decision making
 - All matters relating to financial propriety and procurement
 - The security, health and safety of its staff, members of Council, committees and visitors
 - Security of personal data and information

Appendix 1 Risk and Control Framework from NAO, The Statement on Internal Control: A Guide for Audit Committees (January 2010)

Key theme	Area	Good practice
Risk management framework	Risk management strategy	Agreed and specifically signed-off at Executive/Board level Sets clear accountabilities for action Sets out a structured process for identifying, assessing, communicating, escalating and managing risks, which is dynamic and responsive to changing circumstances Staff are held accountable for risk management through the performance management system
	Reporting	Regular risk management reporting at various levels within the organisation
Risk identification	Upward reporting	Upward identification and reporting of risks
Risk evaluation	Risk registers	Clear ownership of risk at Executive/Board level Regular review of the corporate register Risk ranking consistently assigned to all entries
Control of risks	Framework of appropriate controls built into routine processes	Procedures in place to ensure appropriately skilled and experienced staff are responsible for business processes Documented procedures for all key business processes Management controls ensure quality processing Management information is available to assess the quality of processing and the level of activity
Risk appetites	Clearly defined risk appetites	Risk appetite is defined at a corporate level Risk appetite cascaded down within the organisation Evidence of risk appetite being tailored to reflect different risks

<p>Embedding risk management</p>	<p>Culture of risk management throughout organisation</p>	<p>Every significant risk is assessed and ranked A risk owner is assigned to each risk and has the authority to allocate risk management tasks to specific officers Every employee is aware of their own responsibilities for managing risk Executive decision papers contain a section on key risks</p>
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