

Audit Committee, 6 September 2016

HCPC's Risk management strategy & risk appetite statement

Executive summary and recommendations

**Introduction**

The NAO recommends that organisations such as the HCPC define a Risk Appetite. Risk Management Strategy is included for completeness.

**Decision**

The committee is asked to approve HCPC's Risk Appetite Statement.

**Background information**

None.

**Resource implications**

Included in annual departmental work plans.

**Financial implications**

Included in annual departmental work plans.

**Appendices**

HCPC's Risk Appetite Statement

**Date of paper**

23 August 2016

## Risk Management Strategy

Risk management shall provide a structured, repeatable and coherent approach to identifying, assessing and managing risk. A process for regularly updating and reviewing the assessment based on new developments or actions taken will be maintained. Risk management shall address the following on a continuous basis;

- Active risk and opportunity planning
- Preparing for uncertainty

Risk management shall be traceable to the strategic objectives of HCPC, and the annual departmental work plans, thus providing a top down and bottom up process.

Risk management effort will be related to the scale of HCPC, and the risks implicit in regulation of health and care workers.

## Risk Appetite and Risk Management Processes

1. A risk appetite is defined by the Council and will be reviewed if there is a significant change in our business. The current appetite is **low** or risk averse.

Our objective is public protection, and we are a public body funded by registrants' fees. Operational failures could result in harm to the public, and financial failures could result in unexpected costs falling on registrants. Therefore a low risk appetite is appropriate for HCPC for both operational and financial reasons. For example, in operational choices where there is a trade off between quality and speed, we will tend to favour quality, or if there is a trade off between innovation and reliability, we will tend to favour reliability. In financial choices, we will tend to favour options that offer low returns but low volatility and limited downside over options that offer higher returns but with higher volatility and greater downside.

2. Risk management is broken down into operational areas, which in part map to departments or directorates at HCPC. For each operational area, we
  - a. Identify all relevant risks
  - b. Mitigate those risks to an appropriate, low level
  - c. Invest mitigation resources in proportion to the level of risk
3. Risk owners at HCPC are Council, Chair of Council, Chief Executive & Registrar, members of EMT or Managers of departments.
4. Risks are assessed on an on going basis by risk owners.
5. Periodic planned review of risks, are input into the corporate risk register which is published to the Audit Committee and Council on a rolling 6 monthly basis. This is supported by a "Three lines of defence" Risk Assurance mapping model.
  - i. Area A = Independent review / Assurance / Regulatory oversight
  - ii. Area B = Functional oversight / Governance

iii. Area C = Management Control & Reporting

Further detail is indicated within the Risk Register where required.

6. Common agreed quantitative impact scales will be used consistently across the organisation.
7. Common, agreed quantitative likelihood scales are will be used consistently across the organisation.
8. Multiple mitigations are to be held for all risks where possible.
9. Realised risks are subsequently assessed against the appropriate risk register entry to assess the effectiveness of the Risk Management process.
10. Historic realisation of risks, may be used to inform the forward looking risk register where appropriate.
11. A core document, the "Risk Register" holds all the key information required to manage the organisational risks at any one time.
12. The Risk Register will be used by the internal audit function to suggest areas of interest for audit.
13. Major projects have their own risk registers managed by the Project management team, but risk assessed by the Project Board
14. Very high profile project risks may be managed by the Business Process Improvement function at the request of the Chief Executive & Registrar. These risk registers may be confidential to the Audit Committee or Council
15. Internal Audit contractors will be appointed for no more than four years.
16. Internal Audit contractors will not also be appointed as External Auditors.