Risk Management & Assurance Framework Strategy and Policy 2016/17 – 2017/18)

Policy Number / Version:	**V3 FINAL AUG 16**
Ratified by:	Governing Body / Board Approval: (SOTCCG 2.8.16 / NSCCG 7.9.16) (Approval Joint Audit Committee July 16)
Date ratified:	July 2013
Name of originator/author:	Head of Governance / Quality & Governance Manager
Name of responsible committee/individual:	Audit Committee
Date issued:	1st August 2016
Review date:	July 2017
Date of first issue	July 2013
Target audience:	All staff, including temporary staff and contractors for North Staffordshire and Stoke on Trent Clinical Commissioning Groups

CONSULTATION AND RATIFICATION SCHEDULE

Name and Title of Individual	Date Consulted
Head of Quality & Governance	May 2013
Head of Governance NSCCG	June 2014
Quality and Governance Manager SOTCCG	June 2014
Head of Governance / Quality and Governance Manager	July 2016

Name of Committee	Date of Committee
Operations Group	21/5/2013
Audit Committee	18/6/2013
Audit Committee	1/7/14
Audit Committee	July 2016
SOTCCG Governing Body	August 2016
NSCCG Governing Board	September 2016

VERSION CONTROL

Policy Name:

Version	Valid From	Valid To	Document Path/Name
1.0	30th July 2013	30th July 2015	
2.0	July 2014	July 2015	
3.0	July 2016	July 2017	

SUPPORTING DOCUMENTATION

Documents that should be read in conjunction with the Risk Management Strategy and Risk Management Policy:

Version	Valid From	Valid To	Document Path/Name
1.0	26th March 2013	26th March 2015	Serious Incident Reporting& Management Policy & Procedure

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1. Introduction

1.1 Policy Context

This document sets out North Staffordshire Clinical Commissioning Group and Stoke-on-Trent's Clinical Commissioning Groups (CCGs) approach to the management of risk[1] focussing on the delivery of its key objectives. The CCGs recognise that it will face a whole manner of risks including clinical, financial and reputational and that the effective management of these risks at all levels is critical to the success of the CCGs. This document aims to provide a systematic and consistent framework through which the risks to achievement of the CCGs objectives can be minimised. It will be kept under regular review during the course of the year and subject to a formal review at least annually by the joint Audit Committee on behalf of each Governing Body / Board.

1.2 Policy Statement

The Risk Management and Assurance Framework support delivery of the joint objectives of the two CCGs and enables, across its localities to prioritise risks so as to direct resources for managing risks effectively. It is recognised that risk management is an integral part of the governance process and this framework aims to support embedding this within the culture of the organisation.

2. Definitions

2.1 Risk:

Is the threat that an event or action will adversely affect the CCGs ability to achieve its business objectives. Risk arises as much from the possibility that opportunities will not be realised as it does from the possibility that threats will materialise or that errors will be made.

2.2 Risk Management:

Is "the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects" (Governance in the New NHS HSC1999/123)

It is a logical and systematic method of identifying, analysing, assessing, treating, monitoring and communicating risks in a way that will enable the organisation to minimise losses and maximise opportunities. It should be borne in mind that such a process will be based around judgments rather than necessarily explicit facts. It is an iterative process consisting of steps, which when taken in sequence, enable continual improvement in decision-making. (Effective Governance – IIA Guidance).

2.3 Residual Risk:

Is the remaining level of risk after controls have been put in place. This may be acceptable to the organisation or not. If not, further action may need to be taken.

2.4 The Risk Register:

Is a log of all types of risk that could impact on the success of the CCGs achieving its declared aims and objectives. It is a dynamic living document, which is populated through the CCGs risk assessment and evaluation process. This enables risk to be quantified and ranked, it provides a structure for collating information about risks that helps both in the analysis of risk and in decisions about whether or how risks should be treated.

[1] In accordance with the Risk Management Principles and Guidelines: BS ISO 31000:2009

2.5 **Board Assurance Framework:**
Is the structure and process that enables the organisations to focus on those risks that might compromise achieving its most important aims and objectives; and to map out both the controls that should be in place to manage those objectives and confirm each Governing Body / Board has gained sufficient assurance about the effectiveness of these controls.

2.6 **Operational Lead:**
The manager identified by the CCGs with the appropriate authority and knowledge to manage the risk to an acceptable level.

2.7 **Executive Director Lead:**
The responsible Director Lead identified, to ensure that the responsible manager effectively carries out their duties. The attribution of risks will be aligned with the program portfolios, where possible.

3. Legal and NHS Requirements

3.1 **NHS England**
NHS England has prioritised the pursuit of quality to ensure consistent national standards across the NHS. In doing this, the Board will use Quality Standards developed by NICE to drive its commissioning process. NICE Quality Standards will underpin the *Commissioning Outcomes Framework,* through which CCGs will be held to account.

3.2 **NHSLA Risk Management Standards**
The NHS Litigation Authority Risk Management Standards have clear minimum requirements in relation to risk management. The standards cover general risk management (NHSLA standards) and maternity (CNST standards).

3.3 **Assurance Framework**
The Department of Health require all NHS organisations to have in place a robust Assurance Framework as set out in 'Building the Assurance Framework – A Practical Guide for NHS Boards'. The principle behind the Assurance Framework is that Boards can only properly fulfil their responsibilities if they have a sound understanding of the key risks.

3.4 **Governance Statement**
It is a requirement for all Accountable Officers to sign a Governance Statement on an annual basis forming part of the statutory accounts and annual report. The statement provides evidence that the Accountable Officer has maintained a sound system of internal control throughout the year, to support the CCGs in achieving their objectives.

4. The Benefits of Risk Management

4.1 As resources are finite, some risk taking will always be necessary. To inform the risk taking, it is paramount that the CCGs instigate a risk management process that enables the following:

- an understanding of the level of risk exposure that can be tolerated in going about its activities;
- that the type of risk is understood and the level of risk can be measured;
- where the level of risk exposure is too high that a suitable level of mitigation exists;
- that the on-going effectiveness of mitigation is assessed through a structured assurance framework;
- action is taken by management to design and establish suitable level of mitigation that is proportionate to the risk where existing arrangements are found to be inadequate or ineffective; and
- there is an awareness of risk at all levels of the organisation, but in particular there are appropriate mechanisms to ensure that risks can be escalated to a level of management that can effectively respond to them.

4.2 The establishment of effective risk management is recognised as being fundamental in ensuring good corporate governance. Thus, these arrangements should be endorsed and up-held by each CCG Governing Body / Board through the implementation of cyclical risk management reporting and monitoring regimes. These arrangements should be both suitably robust and transparent.

5. Objective of this Strategy and Policy

5.1 The CCGs are committed to the achievement of its vision and supporting the achievement of its strategic objectives. In doing-so, the CCGs realise that they will face all manner of risks.

5.2 Risk is regarded as a quantifiable level of exposure to the threat of an event or action that will adversely affect an organisation's ability to achieve its business objectives successfully. In simple terms risk is 'uncertainty'. The task of management is to effectively respond to these risks so as to maximise the likelihood of the organisation achieving its purposes and ensure the best use of finance and resources.

5.3 To assist in the management of risk the following objectives have been identified which form the basis of this Risk Management Strategy and Policy:

- Promote awareness of business risk and embed the approach to its management throughout the CCGs;
- Seek to identify, measure, control and report on any risk that will undermine the achievement of priorities, both strategically and operationally, through appropriate assessment criteria; and
- Monitor and measure the overall performance of the Risk Management Strategy and Policy and the way in which it contributes to the achievement of business activities.

6. Risk Management Vision

6.1 The CCGs will seek to identify the risk and its cause at the earliest opportunity and measure the risk effect on the organisations. Wherever practicable, it will seek to apply a proportionate level of resources to control the risks in order to maximise the quality of its service provision and maintain its reputation.

Furthermore, the CCGs will seek to obtain assurance that the controls, on which the organisations rely upon, to mitigate the key risks, are effective. A Board Assurance Framework (BAF) has been developed to support the ongoing monitoring of controls.

7. Risk Management Culture

7.1 **Culture**

The Governing Body / Board of each CCG recognise the value of adopting a risk management culture. Consequently, it will:

- nominate the Accountable Officer to promote the risk management function and ensure its effectiveness across the CCGs and its localities;
- implement and monitor risk management arrangements across the CCGs at all levels;
- establish a rolling programme of risk assessment – with such output to feed into the business planning process at all levels;
- make available funds that are appropriate to finance risk management initiatives and measure the outcomes of this investment;
- encourage, where appropriate, all of the Executive Directors, managers, employees, partners, suppliers, commissioned service providers and other stakeholders to develop and maintain a risk management ethic and to report concerns accordingly; and
- ensure that designated individuals receive the necessary training, on-going support and advice in connection with risk management.

7.2 Risk Management Appetite

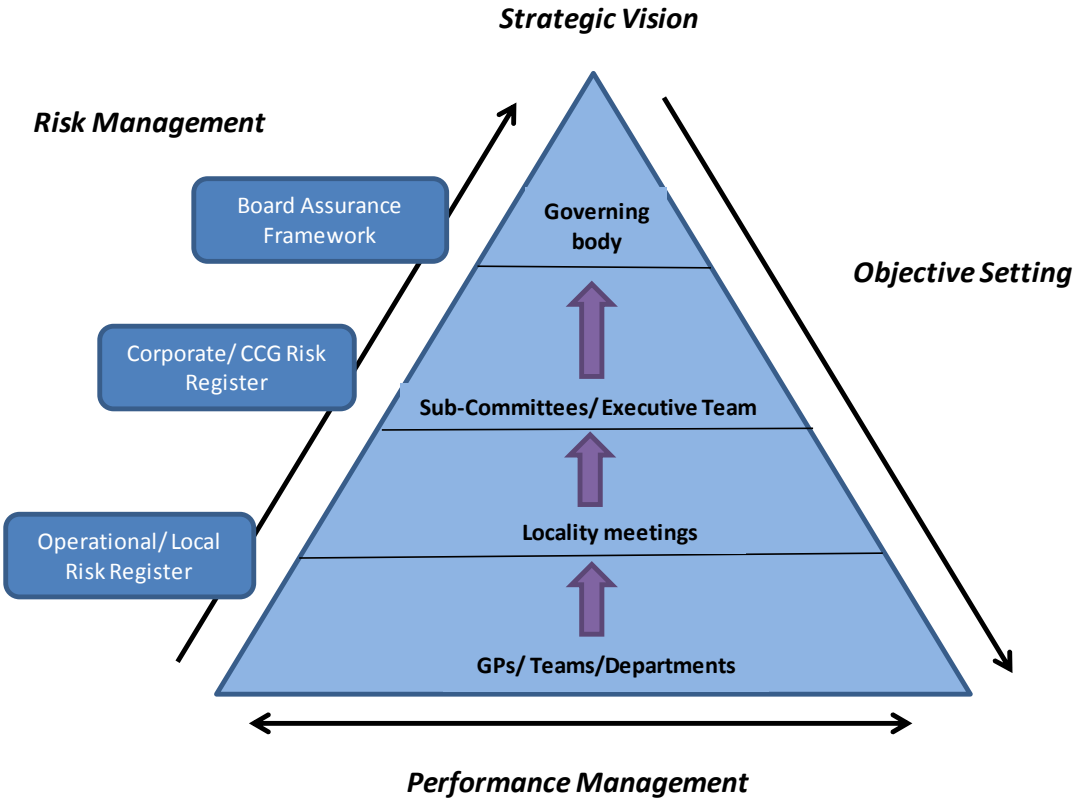
In order to set the appetite for risk the CCGs will utilise the impact and likelihood matrix to identify those risks that threaten or to the capitalisation of opportunities.

Risks identified as High (scoring 12+) and any new risks will be identified as above the CCGs risk appetite and will be reviewed by the Executive Team and reported to the appropriate Sub-Committee e.g. clinical to the Quality Committee and financial to the Finance and Performance Committee. The Governing Body / Board of each CCG will be updated via the Audit Committee to ensure that key actions are taken to manage the risk to an acceptable level that falls within the organisations appetite. As part of the annual review of the risk management framework the method for identifying and assessing risk appetite will be revisited and updated as appropriate to reflect the risk maturity of the CCGs.

Risks identified as Extreme (scoring 15+) will be highlighted to each Governing Body / Board.

7.3 Risk Management Structure

To ensure that the CCGs have a full understanding of the risks being faced and the implications for the business, risks will be identified and assessed at three levels, Operational, Corporate and Board Assurance Framework level as identified in the diagram on the next page.



To ensure a consistent understanding across the organisation the definitions for the levels of risk being captured at are:

The CCGs Risk Register has two parts:

7.4 Operational/Local Risks:

Those risks that, if realised, could affect the way in which the organisations operate across its localities on a day to day basis. These risks will have a detrimental effect on the CCGs key processes, activities that underpin the delivery of objectives if not managed. The risk realisation will lead to inefficiency, ineffectiveness and loss or lost opportunity. These will include risks scoring less than 12 (low / moderate initial) using the risk scoring matrix (appendix 1). Any risk that is considered unmanageable at that level, has the potential to affect the whole CCGs, or scores 12 or above (low / moderate initial) should be escalated for reporting via the CCGs Corporate Risk Register.

7.5 Corporate/CCG Risk Register:

Those risks that, if realised, could fundamentally affect the way in which the organisations exist or commission services. The risk realisation will lead to material failure, loss or lost opportunity. The CCGs Corporate Risk Register will be maintained and used for all functional or organisational risks that score 12 or above (initial) according to the Risk Scoring Matrix (appendix 1). As risk scores are amended up or down, the CCGs system will transfer risks between Operational/Local Risks and those which are to be reported via the Corporate Risk Register (or vice versa).

The escalation of risk from those categorised as Local Risks to inclusion on the Corporate Risk Register will immediately happen where any risks on the Risk Register are assessed as an initial risk of 12 or above (initial).

7.6 Board Assurance Framework (BAF):

All risks scoring 12 and above (residual high and extreme) on the Corporate Risk Register must either be reflected or linked to the strategic risks on the BAF. The BAF enhances the information in the Corporate Risk Register by detailing through assurance how well the highest risks to the delivery of strategic goals are being controlled and mitigated to satisfy both internal and external requirements. In turn it will inform each Governing Body / Board where the delivery of strategic objectives are at risk due to a gap in control and/or assurance.

The Corporate Risk Register and the BAF work together to provide a flow of information regarding achievement and threats against strategic goals. The highest scoring risks on the Corporate Risk Register inform the strategic risks on the BAF either individually (where the risk is replicated on the two documents) or collectively (where risks from the Corporate Risk Register are grouped into an overarching strategic risk on the BAF), this is evidenced through cross referencing between the 2 documents. In turn each BAF risk is clearly cross referenced to the CCGs strategic goals thus allowing a clear mapping of objectives, risks, controls, and assurance across the Register.

7.7 Project Risks (unique one-off):

For specific projects, a separate risk register may be maintained. Those risks that, if realised, could affect the way in which the organisations deliver the specific project. The risk realisation could lead to project failure, but more than likely lead to inefficiency or ineffectiveness in completion of the project. Where project risk registers are in operation, the CCG may consider including a risk on the Corporate Risk Register, if deemed appropriate, to recognise the impact to the CCGs as well as that of the project.

8. Roles and Responsibilities – Governing Body / Board, Committees and Groups

8.1 Each Governing Body / Board

Each Governing Body / Board is responsible for the following:

- Overall responsibility for the CCGs system of Risk Management (i.e. the effectiveness of systems);
- Ensuring that there are proper and independent assurances given on the effectiveness of the systems and processes in place for managing risk. The Board Assurance Framework will be the way each Governing Body / Board ensures this.
- Sign-off of the Risk Management Strategy and Policy and subsequent revisions thereof;
- Set the risk appetite for ; and
- Annual oversight of the full Corporate Risk Register.

8.2 Joint Audit Committee

The Joint Audit Committee is responsible for the following:

- On behalf of each Governing Body / Board, ensuring strategic risk management, the Risk Register and the Board Assurance Framework are fit for purpose and providing relevant assurance;
- Approving the Risk Management Strategy and Policy and subsequent versions there of;
- Reviewing the effectiveness of the risk management and internal control framework through regular reporting on current high/extreme level risks (all risks with an initial scoring 12+ including those on the Board Assurance Framework), controls / mitigation and actions, reporting to each Governing Body / Board as appropriate;
- Challenging the way in which risk is managed and particularly where there is uncertainty or concerns over the effectiveness of existing arrangements until satisfactory conclusions have been drawn.
- Monitoring throughout the year, the overall effectiveness of the assurances in place that manage business as usual risks through review of the BAF and planned Audit Activities, reporting to the Governing Body as appropriate;
- Formally assessing, annually, the overall effectiveness of the application of the risk management and assurance framework.

8.3 Executive Team

The Executive Team is responsible for the following:

- Identifying, assessing, mitigating and reporting on risk through the use of risk assessment, including the maintenance of a reliable risk register;
- Determining resource implications, requirements arising in connection with risk mitigation;
- Ensuring compliance and the effective application of the CCGs Risk Management and Assurance Framework;
- Ensuring employees, contractors and partners are made aware of the importance of risk management and the mechanisms for feeding concerns into the formal processes;
- Identifying, assessing and deciding risk management training needs; and
- On-going monitoring and response to high level strategic, corporate and operational risks.
- Reporting to the Joint Audit Committee on the effectiveness of risk management arrangements;
- Responsible for providing leadership for the prioritisation of clinical, non-clinical and organisational risk, ensuring that all significant risks are properly considered and communicated to the Audit Committee;
- Providing a moderating role to ensure that risks are scored in a consistent manner using the agreed risk matrix;
- Be responsible for horizon scanning, identifying emerging national policy appropriate to the CCGs and identifying local key issues and risk;

8.4 Quality Committee

The Quality Committee is responsible for the following:

- Ensuring that robust systems are in place to manage the whole spectrum of risks associated with the CCGs business, that:
  - identifies and prioritises risks;
  - describes action to be taken against each risk;
  - identifies how risk is measured; and
  - identifies learning outcomes.
- Reviewing the clinical aspects of the CCG Corporate Risk Register and to report to the Audit Committee on risk management strategies.

9. Roles and Responsibilities – Staff

9.1 Accountable Officer

Responsible for:

- Overall responsibility for Risk Management on behalf of each Board;
- Agreeing resources to be made available in connection with Risk Management; and
- Providing assurance with regards to the effective application of risk management via the Annual Governance Statement.

9.2 Directors

Responsible for:

- Whilst the Accountable Officer has overall responsibility, various areas of risk are delegated to the Executive Directors. There are some specialised areas of risk, for example finance risk delegated to the Chief Financial Officer;
- Maintaining an awareness of risks within their areas of responsibilities and feeding these into the formal processes for operational risk management; and
- Ensuring the implementation of actions identified for their areas of responsibilities and ongoing review.
- Having corporate responsibility for the management of risk and ensuring the implementation of the Risk Management Strategy and process, paying particular regard to their specialist areas.
- Ensuring that information held on the Corporate Risk Register and Assurance Framework is up to date and accurately reflects the current status.

9.3 Managers

Responsible for:

- Implementing CCGs policies within their area and for ensuring that their staff understand and apply these in relation to Risk Management;
- Support the effective & efficient use of Risk Management documentation.
- Making sure risk assessments relating to all aspects of their activities have been undertaken, mitigated where possible and recorded for all areas within their remit;
- Risks out of their immediate control should be escalated to the relevant Director for inclusion on the Risk Register;

9.4 Employees

Responsible for:

- Understanding that risk management is ‘everybody’s responsibility’;
- Be aware of the risk management and assurance framework including understanding of and adherence to relevant policies and procedures relating to their area;
- Identify and communicate to their managers risks in relation to their working environment and role;
- Participate in risk assessments within the area they work;
- Ensure escalation processes are followed for high risks;
- Report all clinical/non-clinical incidents or near misses in line with the CCGs policy;
- Taking responsibility for a risk until it is resolved or responsibility is passed on / accepted by someone under whose remit it lies;
- Have risk management objectives in their annual review; and
- Attend mandatory training and any other training identified through their PDP’s.

9.5 Governance Team

Responsible for:

- Overseeing and monitoring the function of risk management and its associated systems;
- Providing regular reports to Sub-Committees and each Governing Body / Board;
- Provide guidance to Managers and Directors on Risk Management and the Assurance Framework; and
- Providing regular reports on Risk Management activity throughout the CCGs to the Joint Audit Committee.

10. The Reporting and Monitoring Process

To enable successful risk management and ensure it is embedded within the CCGs the following reporting and monitoring process has been identified for Corporate and Operational Risk and the Assurance Framework.

10.1Board Assurance Framework / Risk Register

Annually

Executive Team

Annual refresh of the full Corporate Risk Register, including Board Assurance Framework prior to review by each Governing Body / Board at an informal seminar

Governing Body / Board

Formal review by each Governing Body / Board to ensure alignment with the CCGs future plans

Quarterly

Governing Body / Board

Governing Body / Board to receive a report on risks scoring 15 and above (residual)
Receive a written update from the Audit Committee Chair

Audit Committee

Receive an update on actions identified to mitigate High Level risks contained within the Board Assurance Framework and Risk Register
Review the latest assurance (audit reports)
Discuss changes in the number / type of all risks identified
Review the progress against risk management action plans in connection with all High Level risks

Finance and Performance Committee

Review all finance and performance risks at least quarterly

Planning and Commissioning Committee

Review all planning and commissioning risks at least quarterly

Quality Committee

Review all clinical risks at least quarterly

Monthly

Executive Team

Identification of new risks as appropriate
In recognition of the timeline for reporting to the relevant Sub Committees above, review the process against risk management action plans in connection with risk classified as high/extreme

10.2 If through review of any project risk registers, there is deemed to be a risk with an appropriate impact to the CCGs as well as to the individual project, this will be escalated and considered via the above reporting mechanism.

10.3 The CCGs may report on the Board Assurance Framework and Risk Register outside of the above framework at the request of each Governing Body / Board, Sub Committees or Groups as appropriate.

11. Approach to Risk Assessment – Definitions

11.1 Risk Identification

Risk identification is the process of identifying what can happen or has happened and why. The first step is to review objectives, identifying the Principle Risks (Hazards) that may impact upon the ability of the CCGs to achieve their objectives. The approach to risk identification can be either of the following:-

1. **Proactive** – where there is a foreseeable risk that may threaten the achievement of strategic and operational objectives
2. **Reactive** – in relation to an incident that has occurred and controls need to be put in place to prevent reoccurrence

11.2 Examples of Risks

Examples of potential and actual risk categories include:

- Financial risks (e.g. controlling money, remaining within budget, investments, etc…)
- Clinical risks (e.g. in the delivery of effective care and treatment)
- Quality Risks (Clinical outcomes; Patient experience and Patient safety)
- Health, safety and security risks (e.g. preventing accidents, ensuring the safety and welfare of staff, patients and the people using our premises)
- Workforce and recruitment risks (e.g. retention, training, skill shortages, etc)
- Estate, facilities and environmental risks (e.g. ensuring the CCGs buildings and equipment are operational and well-maintained)
- Decision making risks (e.g. choosing to act or not, selecting priorities, etc)
- Hidden risks (e.g. reputation)
- Stakeholder and partnership risks (e.g. patients, providers, local authorities, Department of Health)
- IT risks
- Business risks (e.g. failing to meet targets, loss of income, business continuity and contingency planning)
- Regulatory Risks e.g. noncompliance with regulatory framework or with equality and human rights legislation

11.3 Initial Likelihood / Impact

The probability / severity of the realisation of the risk in the event of no controls being in place.

The evaluation is the undertaking of an assessment of the 'likelihood' that the controls put in to manage a risk are likely to fail and determining the 'consequences' arising from that failure. The CCGs have adopted a Risk Assessment Matrix tool to be used in risk scoring. Using this tool ensures risk assessments are undertaken in a consistent manner using agreed definitions and evaluation criteria. This will allow for comparisons to be made between different risk types and for judgements and decisions about resource allocation to be made on that basis.

Please refer to appendix 1 which includes guidance on how to use the Risk Assessment Matrix to determine the risk score.

11.4 **Controls**

These are the mechanisms and arrangements that exist / are already in place within the CCGs to reduce the likelihood of occurrence or severity of impact of the risk. An internal control system encompasses the policies, processes, tasks, behaviours and other aspects of the organisation that, taken together:

- facilitate its effective and efficient operation by enabling it to respond appropriately to significant business risks. This includes the safeguarding of assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed;

- help ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information; and

- help ensure compliance with applicable laws and regulations, and also with internal policies.

Example types of Controls

- Physical controls – such as building design, alarms systems, staff levels, equipment, contracts and service level agreements;
- Procedural – such as good practices and safe systems of work, supervision arrangements, maintenance arrangements, policies; and
- Training – training on policy and good practice, or the correct use of equipment and how procedures should be followed.

11.5 **Residual Likelihood / Impact**

Being the probability / severity of the realisation of the risk taking into account the existing controls identified and their on-going effectiveness.

Assess the effectiveness of the existing controls put in place, i.e. the level of available evidence (assurance) that demonstrates risks are being managed and objectives are being met. This review of control and assurance effectiveness will then inform a re-calculation of the nature and extent of the risk and determine the level of residual risk.

11.6 **Actions**

Action plans are required for all residual extreme, high and moderate risks. Actions will need to be discussed and agreed at an appropriate level and an action plan put in place. These action plans will be monitored through appropriate governance systems according to the extent of the risk.

11.7 **Target Likelihood / Impact**

Being the probability / severity of the realisation of the risk taking into account the expected benefits of implementing identified actions.

Consideration should be made into the perceived effectiveness that implementing actions will achieve and subsequently how these will reduce the likelihood / impact of the risk.

11.8 **Risk Rating**

The ranking of the risk, taking into account the appetite for risk as determined by the risk scoring criteria. The CCGs will seek to prioritise risk both initially i.e. before any application of mitigation / controls, and residually i.e. after the application of mitigation / controls and a target rating after actions.

Through comparing the initial and residual risk scores an assessment can be made over the strength of the existing control environment for the purposes of managing each risk and indeed what the worst case scenario might be should the risk controls

fail. In some cases, the initial risk classification may reveal that the risk is over controlled i.e. instances where the initial risk is already low, and therefore resources can be re-focussed to activities where controls need to be improved.

Through comparison of the residual and target risk score the perceived benefit of implementing actions can be identified and used to weigh up the cost / benefit of the identified actions.

Using the risk matrix (appendix 1); risks will be rated in the following groups:

Low (Green)
Risks scored between 0 - 3 are mainly insignificant and would probably be unlikely to occur. These will be considered 'acceptable risk', i.e. the quantified residual risk (residual being after taking account of the effectiveness of existing controls) in terms of its likelihood and consequence should remain between 0 and 3. However there still needs to be evidence of controls and monitoring.

Moderate (Yellow)
Risks scored between 4 - 6 will be considered tolerable providing the appropriate controls are in place to minimise the likelihood of undesirable occurrences. It should be realistically possible to reduce these risks within a reasonable timescale through reasonably practicable measures to mitigate them. Existing controls should be reviewed, with regular auditing of their effectiveness undertaken.

High (Amber)
Risks scored between 8-12 will be considered 'high risk'. These are significant risks that require prompt action. With a concerted effort (for example extra resource in terms of funding, staff time etc.) and a challenging action plan, the risks should be realistically reduced within required timescales.

Extreme (Red)
Risks with scores between 15-25 will be considered an 'extreme risk'. The consequences of these risks could seriously impact on the organisations and the responsible manager should ensure that there are suitable and sufficient action plans in place to reduce the risk and that these are logged on the Assurance Framework Risk Register.

11.9 Risk Ownership

The risk management process specifies risks that need to be actively managed. These are assigned a risk owner who is accountable for:

- Owning the risk;
- Overseeing the development and maintenance of an appropriate control environment;
- Monitoring the risk where there is material change in its status; and
- Reporting on the risk.

a) While the risk owner has overall accountability for the management of the risk, he / she might not own or operate the control(s) which relates to the risk. In this case, the role of the risk owner is to oversee that the control(s) are owned, are fit for purpose and operate effectively and that identified actions are implemented by the action owners.

b) Where appropriate the Risk Owner can identify a delegated risk owner who is responsible for the maintenance of the risk information, coordinating responses from control owners and action owners to inform the Risk Owner on the status of a risk.

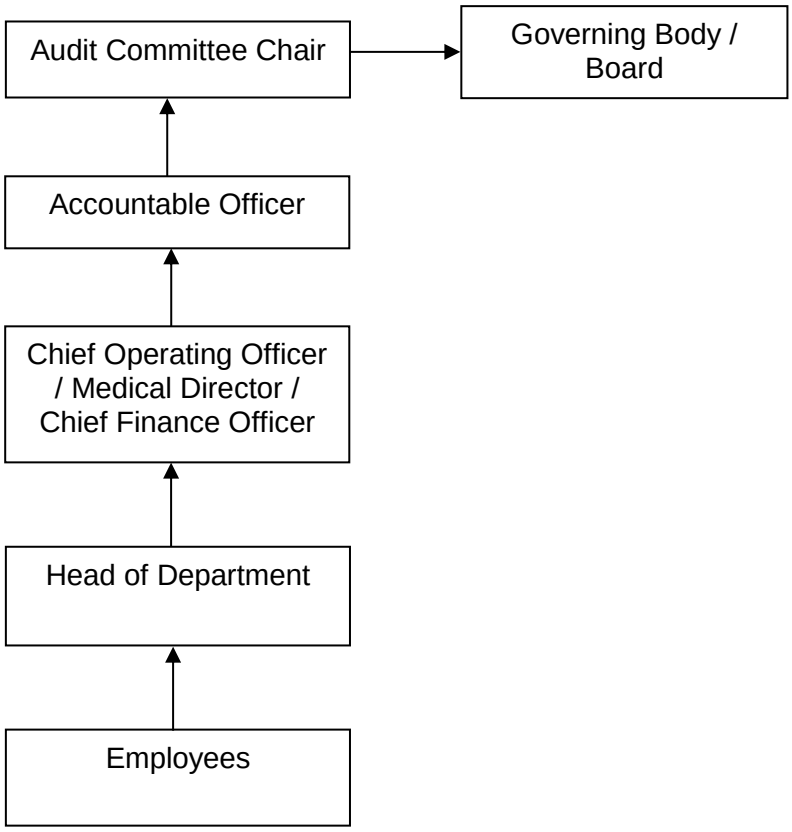
c) It is important that risks are actively managed and monitored therefore different levels of risk should be owned and escalated accordingly.

d) In the event that a response to update a risk has not occurred or the update is inadequate, the Governance Team will escalate to the next in-line management / executive tier, as appropriate. Once the risk is escalated it is the responsibility of the persons to whom it was escalated to, to ensure the necessary action is taken to mitigate the risk and / or produce progress reports, as required.

e) For example, if the Risk Owner is a Head of Commissioning, the risk in the first instance will be escalated to the Director of Commissioning. If there is no or an inadequate response within a reasonable time frame, then the risk will be escalated to the Chief Operating Officer or Medical Director.

f) In the unlikely event of an inadequate response from the above, in a reasonable time frame, the risk will be escalated to the Accountable Officer. If the response remains unsatisfactory, the risk will be escalated to the Audit Committee Chair. This person can enlist the support of the appropriate CCG Governing Body / Board to elicit action, if need be.

Escalation Process diagram:



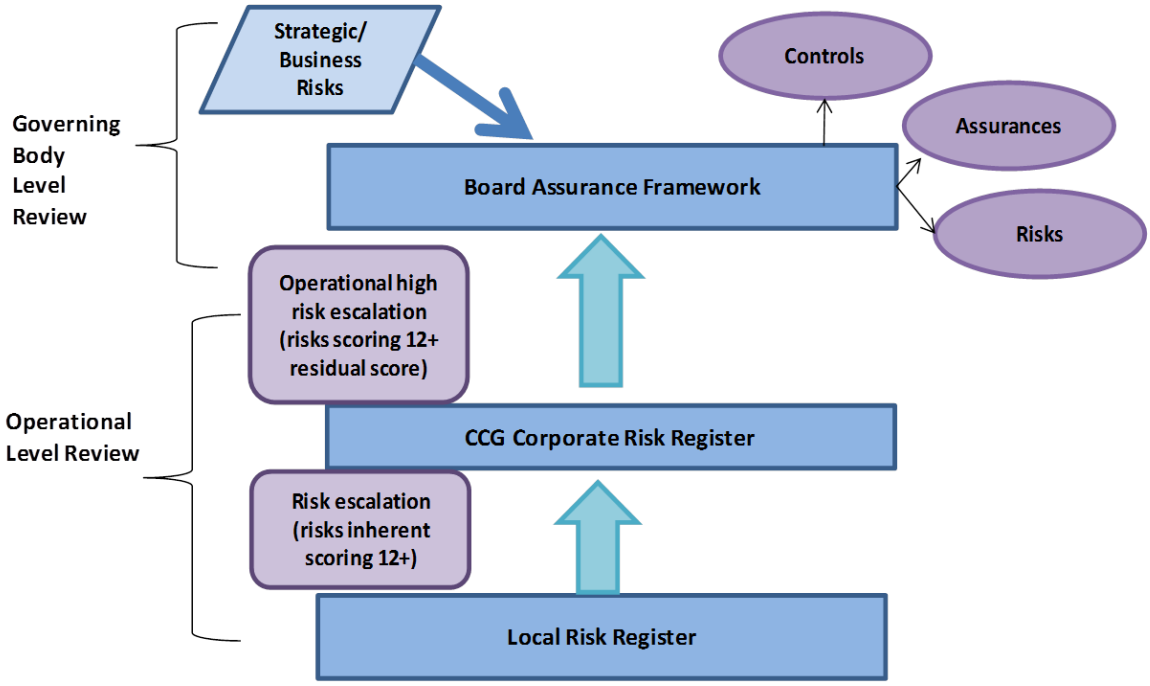
12. Approach to Risk Assessment – Scoring

12.1 Risk Scoring

The CCGs will adopt the following approach:

- use a scale of 1 to 5 to measure impact and likelihood and thus determine the overall risk score and priority (appendix 1);
- by applying the measurement criteria the areas of highest risk should by their nature rise to the top i.e. a risk exposure quantified at £250 might be significant to the petty cash system, but surely should not be something that the Directors should be applying large resources to control, whereas a major service reduction or loss of £100k would be, if the likelihood was equally high; and
- this will assist management in formulating priority actions and using resources appropriately in doing-so i.e. areas of high / extreme risk.

12.2 Escalation and De-escalation of Risk



13. Assurance Framework – Introduction

13.1 The Assurance Framework enables the CCGs to be confident ("be assured") that the controls applied in the mitigation of risk are operating effectively. Therefore this is a key element of the risk management process by the CCGs.

13.2 The application of the Assurance Framework will help each CCG Governing Body / Board members to collectively consider the process of securing assurance via a formal structure that promotes good organisational governance and accountability in order to deliver on its key objectives.

14. The Assurance Strategy

14.1 The Assurance Strategy established will be both proportionate to the level of assurance required, whilst being suitably robust and transparent.

The Boards fully accept their responsibilities in connection with business assurance and they will oversee its application through the implementation of this Assurance Strategy.

14.2 It is the policy of each Board to ensure that they receive appropriate assurances that all key controls and mitigations are effective, where they contribute to reducing a primary risk exposure to a lower classification. This Assurance Strategy identifies the following:

- The frequency on which this will be required;
- The source of assurance provision i.e. who and what; and
- A description of the assurance received and whether this can be classified as a positive or negative assurance. This can be strengthened further by identifying whether this assurance is from an external source and the timely relevance of this information.

15. Assurance Strategy – Objectives:

15.1 The primary objective of this Assurance Strategy is to ensure that appropriate arrangements are established for the purpose of providing each Governing Body / Board with assurance that the controls put in place to mitigate the CCGs exposure to risk; in the achievement of its objectives; can be assessed for their effectiveness. The arrangements will be:

- Proportionate to the level of risk and assurance required by each Governing Body / Board;
- Transparent;
- Consistently applied across the CCGs; and
- Efficient, effective and reliable for their purpose.

15.2 Without the application of the objectives, the CCGs will be unable to identify and evaluate the risks that threaten the achievement of its goals and design and operate a proportionate system of internal control to manage those risks. The strategy puts responsibility for the system of internal control at Board level and this encompasses the following:

- Setting appropriate policies on internal control;
- Seeking assurance that will enable each Governing Body / Board to satisfy itself that the system is functioning effectively; and
- Ensuring that the system of internal control is effective in managing risks in the manner each Governing Body / Board has approved.

16. Control Assurance and Action Plans

16.1 The Assurance Framework requires the CCGs to consider the effectiveness of each control through the process of obtaining assurances that the control is in place and it is operating effectively. These assurances are obtained from a variety of providers, such as management through their routine checks and reports, internal and external audit and other external assessors such as health & safety inspectorates, regulators, professional advisors i.e. insurers etc. The type of assurance provision will be dependent on the level and reliability of assurance required. A greater level of assurance will be provided by an independent source.

The Assurance Framework will also clearly identify whether the identified control has provided a positive or negative assurance for the CCGs and the resulting actions.

16.2 A gap in control is deemed to exist where controls are not in place, or where collectively they are not effective and or, the controls are non-existent or limited. This will be determined through the assurance provided. A gap in assurance is deemed to exist where there is a failure to gain evidence that the controls are either in place or the control has not been subject to any assurance review.

16.3 Wherever gaps in control or assurance are identified, then an action must be defined and allocated to appropriate responsible persons. However, in all cases an assessment will need to be made as to the level of risk to which the CCGs are exposed as a result of the control failure or assurance gap. This will be achieved through application of the CCGs risk scoring methodology. This will ensure:

- consistency in measuring the risk exposure that is deemed to exist; and
- that the action can be appropriately prioritised, given that the CCGs resources are finite and that the control environment should be proportionate to the risk;
- therefore it may be possible for a recommendation stemming from an independent review, to be classified as high, but when put in the context of the CCGs risk scoring methodology be classified to a lower priority.

16.4 Management should consider whether the implementation of identified actions (either from management identification of control weakness, internal audit reviews or other assurance / inspection programmes) will further reduce the risk exposure proportionate to the resources required and the nature of the risk. Those that management considers require implementation should be recorded against the risk in which the control or assurance gap was identified in the CCGs risk register.

16.5 Controls in place will be assessed for their effectiveness. The frequency of when these controls are formally assessed as part of the Assurance Strategy will be determined by the initial and residual risk classification that has been attributed to the risk that they mitigate. It is the initial and residual risk classification that will determine the quality, level and priority of assurance work required i.e. a basis for the development of a risk based internal audit plan.

17. Application of the Assurance Strategy

17.1 The CCGs will look to document its objectives and the associated risks, controls, potential sources of assurance, actual assurances received.

17.2 The progress of action plans will be reported to the Joint Audit Committee on a quarterly basis, and exceptions will be reported to each Governing Body / Board. The Joint Audit Committee or each Governing Body / Board will review the complete Assurance Strategy as part of their regular review of the Board Assurance Framework Risk Register.

17.3 The application of the Assurance Strategy will enable the CCGs to assure themselves that all risks are being managed effectively. This involves three distinct phases

1) The updating of key risks, controls and assurances as required as part of the risk management monitoring cycle;
2) This will then be monitored for progress towards closing the identified gaps in control and / or assurance;
3) A degree of independent scrutiny must take place, to ensure these updates are valid.

18. Training and Support

18.1 To ensure the successful implementation and maintenance of this Risk Management and Assurance Framework Strategy and Policy, Committee members and staff will have access to appropriate advice, guidance, information and training in order to carry out their respective responsibilities for risk control and risk assessment.

18.2 All staff will receive mandatory training via the CCGs corporate learning and development programme covering Health, Fire & Safety, Safeguarding, Equality Delivery System and Information Governance including risk assessment and management, via the CCG's corporate learning and development programme.

18.3 General awareness for staff is also undertaken through staff briefings, induction programmes and inclusion of relevant documents on the Intranet. The Risk Management and Assurance Framework Strategy and Policy should be accessible to all staff across the two CCGs via each CCG intranet and website.

Appendix 1 - Risk Assessment Matrix

Step 1 **Consequence Scoring** What is the impact / outcome / harm?	Consequence Score				
	1 - Insignificant	**2 - Minor**	**3 - Moderate**	**4 - Major**	**5 - Catastrophic**
Staff / Patient Safety (physical / psychological)	Minimal injury requiring no/minimal intervention. No time off work.	Minor injury or illness. Time off work for >3 days. Increase in length of hospital stay by 1-3 days	Injury requiring professional intervention. Time off work 1-4 days. RIDDOR reportable. Increase in hospital stay 4-15 days.	Major injury leading to long term disability. Time off work >14 days. Increase in hospital stay >15 days. Mismanagement of patient care.	Incident leading to death. Multiple permanent injuries or irreversible health effects. Impact on a large number of patients
Complaints	Informal complaint / enquiry	Formal complaint (local resolution)	Formal complaint (ombudsman intervention / investigation)	Non-compliance of national standards	Unacceptable level of quality / treatment
Human Resources Organisational Development	Short term low staffing level that temporarily reduces service quality (<1 day)	Low staffing level that reduces service quality	Unsafe staffing level. Late delivery of key service due to lack of staff	Unsafe staffing level (>5 days). Loss of key staff. Uncertain delivery of key service.	Ongoing unsafe staffing levels. Loss of several key staff. Non delivery of key service.
Statutory Duty / Inspections	No or minimal impact on breach of guidance.	Breach of statutory legislation. Reduced performance.	Single breach in statutory duty.	Multiple breaches in statutory duty, critical report, low performance.	Multiple breaches in statutory duty. Prosecution. Zero performance rating.
Adverse Publicity / Reputation	Rumours Potential for public concern	Local media coverage Elements of public expectation not being met	Local media coverage – long term reduction in public confidence	National media coverage with <3 days service well below public expectation	National media coverage. MP concerned. Total loss of public confidence.
Business Objectives Projects	Insignificant cost, increase in schedule slippage	<5% over budget, schedule slippage	5-10% over budget, schedule slippage	10-25% over budget, schedule slippage, key objectives not met	>25% over budget, schedule slippage, key objectives not met
Financial / Claims	Small loss - risk of claim remote	Loss of 0.1-0.25% of budget Claim less than £10,000	Loss of 0.25-0.5% of budget Claims between £10,000 and £100,000	Loss of 0.5-1% of budget Claims between £100,000 and £1 million	Loss of >1% of budget Claims >£1 million Loss of contract
Service Interruption	Loss / interruption of <1 hour. Minimal or no impact on the environment.	Loss / interruption of <8 hours. Minor impact on the environment.	Loss / interruption of <1 day. Moderate impact on the environment.	Loss / interruption >1 week. Major impact on the environment.	Permanent loss of service. Catastrophic impact on the environment.

Step 2 Likelihood Scoring

How likely is this to happen, taking into account the controls already in place to prevent or mitigate the harm?

Frequency	Likelihood	Score
Not expected to occur for years	<1% - Will only occur in exceptional circumstances	**1**Rare
Occur at least annually	1-5% - Unlikely to occur	**2**Unlikely
Occur at least monthly	6-20% - Reasonable chance of occurring	**3**Possible
Occur at least weekly	21-50% - Likely to occur	**4**Likely
Occur at least daily	>50% - More likely to occur than not	**5**Almost Certain

Step 3 Establishing Overall Score and Rating

Using the appropriate score for Consequence, and the appropriate score for Likelihood, follow the table below to obtain the overall Incident / Risk severity rating.

		Likelihood				
		1 Rare	**2** Unlikely	**3** Possible	**4** Likely	**5** Almost Certain
Consequence	**5** Catastrophic	**5** (Moderate)	**10** (High)	**15** (Extreme)	**20** (Extreme)	**25** (Extreme)
	4 Major	**4** (Moderate)	**8** (High)	**12** (High)	**16** (Extreme)	**20** (Extreme)
	3 Moderate	**3** (Low)	**6** (Moderate)	**9** (High)	**12** (High)	**15** (Extreme)
	2 Minor	**2** (Low)	**4** (Moderate)	**6** (Moderate)	**8** (High)	**10** (High)
	1 Insignificant	**1** (Low)	**2** (Low)	**3** (Low)	**4** (Moderate)	**5** (Moderate)

Step 4 Quantification of Risk

Severity	Action required
Extreme	• Immediate action • Executive Lead • Nominated Lead • Reports to Governing Body / Board • Risk Assessment • Review
High	• Action plan to be developed • Nominated Lead with Executive consultation • Reports to Sub-Committees • Risk Assessment • Review
Moderate	• Action plan to be developed • Management responsibility • Nominated person to follow up on actions • Risk Assessment • Review
Low	• Action plan • Risk well controlled • Acceptable • Review annually

Example

Issue - Low staffing level that reduces service quality
Category - Human Resources

Step 1 – Consequence Scoring
Consequence - Low staffing level that reduces service quality
Consequence score 2 – Minor

Step 2 – Likelihood Scoring
Likelihood – Occurs at least monthly
Likelihood score 3 – Possible

Step 3 - Establish Overall Score and Rating
Consequence 2 x Likelihood 3 = **6 (Moderate)**
Overall Severity Rating 6 (Moderate).