



Policy	Risk Management and Control Assurance Framework
Policy Owner	Finance Director
Authorised by	Board
Date Authorised	
Review Date	
Policy Review Period	Annually
Version	1.3

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1. Introduction

1.1 As a key element of governance for Trinity HA (THA) has developed this risk management and control framework, the purpose of which is to establish systems for effective management of risks facing the business.

2. Policy statement

2.1 THA has established this risk management and control framework to support delivery of good governance and excellent leadership for the organisation. The framework enables THA to make well informed, well-judged and transparent decisions; and to monitor the performance of its operations and delivery of its strategy. It supports effective delivery of our business plan and increases the resilience of the business against adverse shocks.

2.2 Risk management is a key part of good governance and the Board is responsible for ensuring it identifies, monitors and where possible mitigates risk within the operation of its business.

2.3 Risk management is the process by which we:

- Identify risks which will or could arise in relation to our business plan or business model
- Assess the likelihood of their occurrence and their impact on the business
- Identify mitigations and controls
- Respond to the risks identified
- Review and report on risks.

2.4 Risk management at THA will include:

- Protecting our affordable housing assets and our activities to service these
- Protecting our tenants from harm arising from their occupancy of our properties
- Ensuring our financial viability (both cashflow and longer term financing)
- Safeguarding our reputation and that of the wider social housing sector

2.5 Following on from this, mechanisms to ensure effective risk management will include:

- Board ownership and oversight of risk management
- Creation and maintenance of an appropriate control framework
- Creation and maintenance of robust records relating to assets and liabilities
- Looking ahead to how possible external and internal changes could individually and collectively impact on the business
- Board regularly refreshing its understanding of
 - Its risk appetite and exposure to risks

- Its operating environment (both short and longer term)
- The impact and likely crystallisation of combinations of risks (stress testing)
- The flow and impact of liabilities across companies and other entities with which THA has a relationship

2.6 The board is supported in its oversight of risk by the Audit and Risk Committee. The Board will ensure that all appropriate registers are maintained, reviewed, and used in business planning. The Audit & Risk Committee will oversee the risk register, seeking assurance on controls, and report regularly to board.

3. Risk register

3.1 THA will maintain a risk register to help it capture, quantify and manage the key risks that could be a barrier to achievement of the organisation's stated objectives.

3.2 The process is led by the Finance Director, and supported by advisors to the business.

3.3 To structure assessment and management of risks, we use the following categories to group risks and their potential effects:

- Financial
- Governance
- Operational

3.4 Each risk will be allocated a risk owner. This is a named staff member who is closely involved with the risk, is able to monitor it, initiate action if the risk becomes more serious, or escalate to senior management if necessary. The owner is responsible for monitoring and reporting the risk, identification of appropriate controls, and for oversight of effectiveness of the controls applied.

3.5 The risk register scores risks within each of these areas on the likelihood of a risk occurring (on a score of 1 to 5) and the impact on the business should a risk materialise (on a score of 1 to 5). The two scores are multiplied together giving a maximum of 25, and given a Red, Amber or Green rating, as shown in the following matrix:

	Risk	Insignificant	Minor	Moderate	Major	severe
Likelihood		1	2	3	4	5
Almost certain	5	5	10	15	20	25
Likely	4	4	8	12	16	20
Possible	3	3	6	9	12	15
Unlikely	2	2	4	6	8	10
rare	1	1	2	3	4	5

3.6 Definitions of likelihood (probability of an occurrence) and impact are provided, but nevertheless scores can be a subjective judgement and will vary from time-to-time depending on issues such as changes to finance, market conditions, governance and staffing.

Likelihood score	Description
1	Rare. 0-5%. Extremely unlikely or virtually impossible
2	Possible. 6-20%. Low but not impossible
3	Likely. 21-50%. Fairly likely to occur
4	Very likely. 21-50%. More likely to occur than not.
5	Almost certain. >80%. Almost certainly will occur

Impact score	Description
1	Financial net impact of less than 1% of turnover. No other significant impacts.
2	Financial net impact of 1-2% of turnover. No regulatory consequences. Adverse publicity. Minor
3	Financial impact of 3-5% of turnover. Addressable regulatory consequences. Widespread adverse publicity. Major injury.
4	Financial net impact of 6-20% of turnover. Substantial regulatory consequences. Regulatory downgrade. Major adverse publicity. Death of an individual or several major injuries.
5	Association forced to cease business or loss of a substantial part of the business (>20%) . Multiple major injuries or deaths.

3.7 The risk register presents controls or mitigations in place, and captures their assessed impact on the level of risk. It therefore provides scores for both inherent and residual risk.

3.8 Any residual score of 15 or more should be routinely monitored by the board. These are categorised as high risk, are fairly-very likely to occur, and could result in regulatory consequences, reputational damage, harm to residents, and higher financial losses.

3.9 Where mitigation cannot bring risks below an agreed threshold, the board will consider whether continued exposure is appropriate/desired, and monitor closely.

4. Risk management and reporting

4.1 Each month, risk owners will review all risks that they are responsible for and update the register accordingly. The Chair and Chair of Audit will be notified at the point any risk becomes red or enters the register at red.

4.2 The Board will receive updates at each meeting on existing high level risks, any emerging or new risks, and change in scoring of risks. A covering report will detail how 'red' risks are being managed, new additions to the register, and movement between Red, Amber and Green scores.

4.3 The board will, with support of its Audit & Risk Committee:

- Review progress of risks against risk management actions/plans, considering whether the controls are fit for purpose
- Review new and emerging risks
- Ensure the actions stated in the register are still relevant and within the necessary delegated authority
- Request revisions in approach and action where appropriate to terminate a risk, better control or understand exposure, or reduce exposures elsewhere when a risk must be / is to be tolerated.
- Take a detailed look at selected individual risks (periodic deep dives).

4.4 Annually the Board, advised by the executive team, Audit & Risk Committee (and consultants if appropriate), will:

- Consider a statement for inclusion in the Financial Statements on the effectiveness of the internal control environment for the management of risk
- Review the business plan and the key risks associated with its delivery – risk assessment and appetite will inform the stress tests undertaken
- Thoroughly review the full risk register, taking account of the operating environment, business objectives and regulatory expectations
- Re-assess its risk appetite and tolerance.

4.5 The board will consider the RSH Sector Risk Profile report, and other ‘official’ commentary on risks facing providers of affordable housing, at the meeting following publication as well as in its annual risk review.

5. Risk Appetite and tolerance

5.1 The Institute of Internal Auditors defines ‘risk appetite’ as “The level of risk that an organisation is willing to accept”. The appropriate level will depend on the objectives pursued, the nature of the work undertaken, and the ability of the business to withstand the risks.

5.2 By defining its risk appetite relating to different business activities or for types of risk exposure, The Board can arrive at an appropriate balance between uncontrolled and excessive caution. It can be used to guide managers on the level of risk permitted and encourage consistency of approach, and ensure that resources are not spent on further reducing risks that are already at an acceptable level.

5.3 Precise measurement is not always possible and risk appetite may be defined by a broad statement of approach. The Board may have a different appetite for different types of risk or activity, depending on the context of the risk and the potential for losses or gains. The board will articulate its appetite for different types of risk/activity; and will review these statements annually.

5.4 Tolerance is the amount of risk an organisation is prepared to tolerate before action is required. The Board will articulate its tolerance for different risks, and this can be used to define the maximum deviation from stated risk appetite that can be accepted before action must be taken to lower exposure. This will be accompanied by indicators that flag when tolerance is being approached. They provide the risk owner and board with early warning that action may be required to mitigate that risk through stronger control measures or, if it is outside THA’s control, to be aware of it and closely monitor.

6. Business planning

6.1 To assist the association in managing its financial affairs THA produces annually a financial plan and budget setting out its expectations for income and expenditure, capital investment and other external funding. The plan/budget sets out the association’s assumptions in this regard and reflects the association’s aspirations as set out in more detail in the business plan.

6.2 The financial plan seeks to support the association’s achievement of its corporate objectives. It will be shaped on the basis of understanding the risks inherent its operating environment and the effectiveness of mitigations that are/can be put in place.

6.3 Informed by identified key risks, stress testing will be undertaken as part of the association's financial planning. This allows the Board to understand the individual and combined effects of risks crystallising on the financial viability of the organisation.

6.4 The Board will periodically review risk mitigation as part of the stress testing exercise and will seek external advice as appropriate.

7. Internal control assurance

7.1 The internal control framework is designed to manage the risk of failure to achieve business objectives, and should enable crystallisation of risks to be identified in advance. It should also provide evidence-based assurance on the effectiveness of the controls.

7.2 Control measures are the processes, policies and procedures used to govern Trinity's work or any additional controls or mitigating actions taken to deal with a particular situation. A judgement has to be made by the risk owner as to the effect of the control and consequent numerical reduction to the inherent risk score to produce the residual risk score.

7.3 The Board will assess and review the overall effectiveness of its internal control systems on an annual basis and make a statement in the organisation's annual review regarding the outcome of this.

7.4 Key elements of the control framework in place include:

- Board approved governance and financial control mechanisms including Standing Orders & Financial Regulations including delegated authorities for Board, Board Members and senior staff;
- Clearly defined operational policies and procedures
- Clearly defined procedures for the identification, evaluation and control of risks;
- A well-defined management structure with clear lines of responsibility;
- Regular provision of management information to senior staff, executive directors and the Board on at least a quarterly basis;
- Where practical, separation of functions involving financial processes;
- External audit of financial accounts.

7.5 The Board is ultimately responsible for the performance of THA. The Board will monitor overall performance in relation to on-going financial position, operational matters, service provision, regulatory/statutory compliance, and the process of continuous improvement. The board will ensure corrective action is taken if problems are identified. The Board will ensure that it receives sufficient and timely reports from staff and advisers about performance, by forward planning meeting agendas and reporting requirements. Board Members will request additional information from any relevant member of the executive

team relating to any element of performance or any other area of the operation of the organisation if sufficient information and assurance is not forthcoming.

7.6 Assurance on the effectiveness of controls is provided through:

- A process of internal control reviews through external audit and compliance review;
- Internal audits being performed by an appointed third party
- External consultancy advice (e.g. technical or management advice)
- External governance review