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THE NATIONAL LIBRARY OF WALES

Risk Management Policy, Strategy and Process

1. Risk Management Policy

1.1 Risk Management - Definition

Risk management is defined as the culture, procedures, controls and structures that are directed towards the effective, timely and appropriate management of potential changes, opportunities and threats to achieving the Library's business objectives.

1.2 Risk Management - Objectives

The National Library of Wales acknowledges that there are risks associated with its activities. Any organisation needs to know where any potential risks that may prevent it from continuing to do well in the future. Deciding positively not to do something can be an option, but understanding the importance of active risk management is vital at all levels of an organisation.

Embedding planning as part of the day to day operation is key to understanding risk and mitigating both its likelihood and its impact. As part of a good governance approach, good internal controls and a commitment from senior management are prerequisites; but it's the whole community of staff, who understand the business well, who can best design, deliver and strive to continuously improve the management of risks identified as part of their normal activities. Whilst it is recognised that risk cannot be totally eliminated, the Library will manage its risks in order to:

- Ensure compliance with statutory obligations, good corporate governance and the requirements of the Welsh Government
- Compliance with charity legislation and meeting requirements as charity trustees.
- Preserve and enhance delivery of services
- Safeguard its employees, visitors and users, and all other persons to whom the Library has a duty of care
- Protect the Library's property including the collections, buildings and equipment
- Maintain effective control of its finances

These objectives will be attained by systematically identifying, analysing and evaluating, cost effectively controlling and monitoring risk which endangers the people, property, reputation and financial stability of the Library. These risks will be listed in the "Corporate Risk Register" which will be updated for every Audit & Risk Committee meeting.

2. Risk Management Strategy

2.1 Risk Appetite

Risk appetite can be defined as the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives.

The Library must decide its attitude to residual risk in order that its risk management processes can be aligned with its objectives. The residual risk is the amount of risk or danger associated with an action or event remaining after natural or inherent risks have been reduced by risk controls.

In order to put this in some kind of context, the Library cannot afford to be as risk averse as, for instance, the Civil Service. This is because it is a leader in many specialist areas such as digitisation where experimentation is required and there will inevitably be some failures, and also there is a constant pressure to maximise the amount of service provided to the public and minimise the associated cost.

Consequently, the Library is prepared to take a higher level of risk in certain areas that are at the forefront of technological development, whilst accepting that there may be some negative outcomes from time to time. However, the Library is not the type of organisation that can afford to be reckless as it has its reputation to uphold and is largely funded from the public purse. Consequently, in areas such as compliance with legislation or conditions imposed by the Welsh Government, it will always seek to comply without exception.

2.2 Roles and Responsibilities

It is the responsibility of Board members, Audit & Risk Committee members, and Directors and Managers at all levels of the Library to ensure that risks are understood and appropriately managed.

The roles and responsibilities for risk management are as follows:

2.2.1 The Board

The Board have ultimate responsibility for risk management and they have delegated oversight responsibility to the Audit & Risk Committee. The Board will receive a report on the risk register at least once per year. It will also be updated on the risks that the Library is managing through reports presented to it by the Executive Team (ET), e.g. such as budget monitoring and financial planning reports, performance against targets and issues relating to corporate governance. The Board will also approve the annual Corporate Governance Statement in the financial statements, which requires specific reference to risk management.

2.2.2 The Audit & Risk Committee

The Audit & Risk Committee will perform a monitoring function and receive regular reports on risk management in the Library. The Audit & Risk Committee members must be actively engaged in the risk management process and will periodically be invited to undertake detailed discussion of the risk register.

2.2.3 The Chief Executive and Librarian

The Chief Executive and Librarian, as Accounting Officer, will be responsible for ensuring that risks are managed on a day to day basis in the Library and ensure that the Risk Register is reviewed periodically as part of the work of the ET meetings. He/she will be required to sign a statement in the Library's annual accounts to confirm that the Library has delivered appropriate standards of corporate governance including management of risks.

2.2.4 Directors and Head of Department

Directors and Head of Department will be responsible for coordinating the periodic review of the Risk Register within their Department. They will be responsible for the management of risks that have been assigned to them in the Risk Register. They will ensure that their staff are accountable for the risks in their particular area of activity and monitor their performance of the management of those risks.

2.2.5 Managers and Staff

Managers and staff will be responsible for managing risk effectively in their particular area of activity. The "Team Briefing" sessions can be used as a means of transferring information regarding management of risks to senior management however staff are required to report key risks to an appropriate level of management as and when they arise.

2.2.6 Head of Finance and Enterprise

The Head of Finance and Enterprise will be responsible for co-ordinating the review and compilation of the Library's Risk Register.

2.2.7 Internal Audit

Internal Audit will be responsible for the independent review of the risk management system in accordance with the Audit Plan.

3. Risk Management Process

3.1 Procedure for Identifying Risks

The Risk Register will include:

- A description of the identified key risk
- The assurances and controls that are in place to mitigate the risk
- The strategic objectives impacted by the risk
- Classification of the risk according to type/impact/probability
- Assessment of the size of the risk by allocating a "risk score"

The strength of the controls will be assessed according to three categories – low, medium and high. Gaps in controls and assurances will also be noted. These factors will be taken into consideration when assessing the risk score. The risk score will be an assessment of the size of the risk (out of 25 (5 for probability and 5 for likelihood). The Risk Register will also identify who is responsible for monitoring the risk, the timetable for implementing any assurances to mitigate against the impact of the risk and an assessment of the likelihood of the risk happening.

a. Alignment of risks to the Strategic Objectives

Risk management processes must be aligned to the Library's strategic aims as stated in the Strategic Plan. An assessment of our ability to meet these aims underpins the assessment of risk in the Library.

b. Allocating a risk owner

At Library-level, risks on the Corporate Risk Register are assigned to a member of the Executive Team, in line with their portfolio.

At Departmental level, an identified 'owner' should similarly be identified for each risk. The risk owner is the person charged with the overall responsibility for assessing, managing and reporting the risk, although they may delegate implementation to the appropriate staff.

c. Defining the risks

Our corporate objectives state what we want to achieve as a Library, or as a Department. In the Risk Management process, we must identify what risks could affect the desired outcomes. Departmental 'sub risks' should, therefore, be identified in respect of achieving both strategic and local objectives. Sub risks can be defined as:

'Risks to the successful achievement of Library/Department plans or the Strategic Objectives.'

In defining risk within risk areas, it may be helpful to think about what is changing, both internally and externally, for example changes in learning and teaching approach, management structure, tuition fees. Look for new risks, as well as changes to current risks. Think about:

<u>Internal</u>:

- staff
- community
- trade unions
- partner organisations
- policy makers and administrators
- employers
- suppliers
- organisational changes

<u>External</u>:

- legal and political changes
- funding bodies and regulators
- the impact of funding cuts and changes
- policy developments

To facilitate the identification of risks, strategic and local objectives should be continually communicated and kept in the forefront of daily activity. This way, it is easier to identify the uncertainties associated with achieving your objectives. Use a "cast a wide net" approach to identify a broad spectrum of risks and invite multiple and diverse views.

3.2 Timescale

The Corporate Risk Register will be reviewed before every Audit and Risk Committee meeting and presented to that Committee. Departmental Risk Registers should be reviewed every 3 months and incorporated into the Corporate Risk Register if the risk impacts the whole Library.

3.3 Project Risk Registers

Internal projects that represent a significant risk to the Library will be required to maintain their own detailed project-related risk register. This will be separate from the Corporate Risk Register, but project risks that are of significant magnitude will also be included on this register.