

ALBYN HOUSING SOCIETY LIMITED

TITLE: RISK MANAGEMENT STRATEGY

DATE: 02 MARCH 2020

TENANT CONSULTATION	
Consultation with tenants required	No * <i>* If no, please go direct to next stage of process</i>
Date tenant consultation started	
Date tenant consultation ended	
Date results of consultation fed back to tenants	
STAFF CONSULTATIVE FORUM (SCF) APPROVAL	
Consultation with SCF required	No * <i>* If no, please go direct to next stage of process</i>
BOARD APPROVAL	
Date considered by Board <i>(including feedback from tenant consultation if applicable)</i>	03 March 2020
Date approved by Board	03 March 2020
Date of Review by Board	03 March 2023
Date results fed back to tenants	N/A

RISK MANAGEMENT STRATEGY

RISK MANAGEMENT POLICY

1 Risk Management Policy

- 1.1 Risk management involves the systematic identification, evaluation, cost effective control and monitoring of risks which threaten the success of any organisation and consequently its ability to survive.
- 1.2 Albyn Housing Society Limited Board considers it essential to identify and manage the key risks faced by Albyn Group.
- 1.3 In managing these key risks, the Board seeks to ensure that all actions taken contribute toward the achievement of Albyn's strategic objectives and that no actions are taken that might unduly expose the Society to unnecessary risk.
- 1.4 The Board may delegate certain tasks and processes covered by this policy to the Audit Committee, the Internal Auditors and the Chief Executive and the Directors. They will act in an appropriate capacity to ensure that the Board discharges its primary responsibilities.

RISK MANAGEMENT STRATEGY

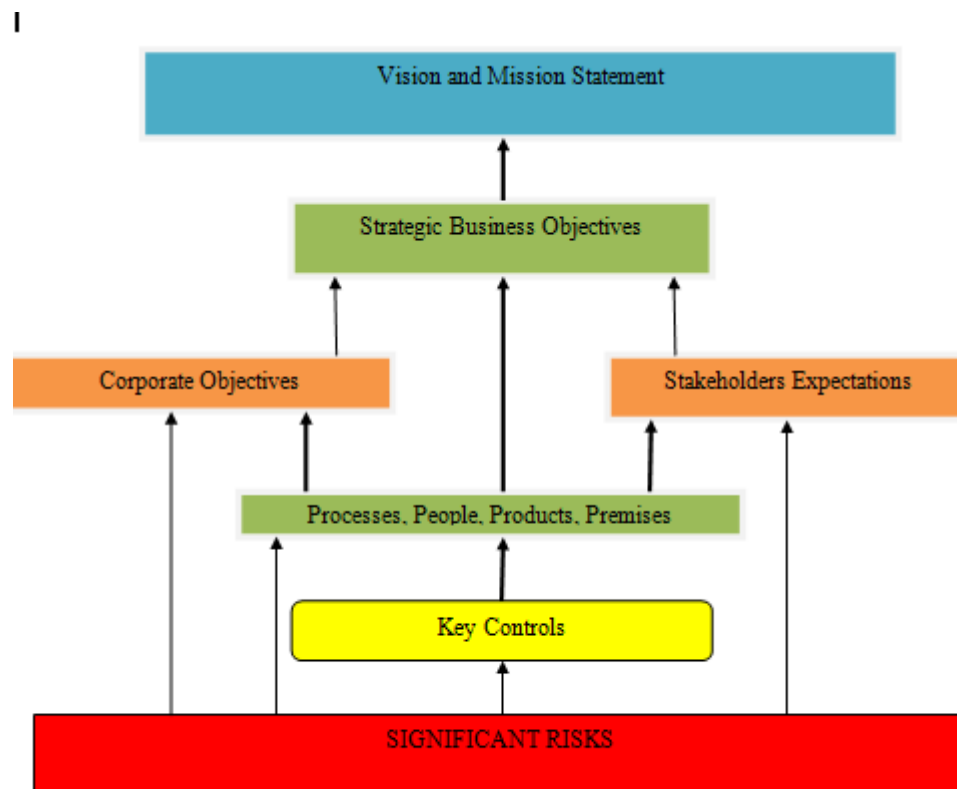
RISK MANAGEMENT PROCEDURES

1 Introduction

1.1 Risk is defined as

Any Event which impacts on Albyn's ability to meet its Strategic Objectives

1.2 The diagram illustrates how risks can impact on the objectives of Albyn



1.3 In other words the identification of:

- ♦ What can go wrong?
- ♦ What needs to go right?

in relation to each of the strategic objectives.

1.4 Risks may be classified into one of the following four types. Risks that are classified as one of the latter two may have a limited impact on the first two and therefore require their own classification:

Financial – will lead Albyn to suffer financially if the risk occurs

- Reputation – if the risk occurs may lead to reduced external and internal respect
- Compliance – the risk that we do not comply with some regulatory framework, e.g. SHR, HMRC, the law etc
- Operational – the risk of Health and Safety issues

2 Risk Management Strategy

2.1 Introduction

2.1.1 The Risk Management Strategy is designed to implement Albyn's approved policy on risk management, and is divided into three main parts:

- ♦ Risk Assessment
- ♦ Control Evaluation
- ♦ Risk Management

Appendix 1 illustrates the steps required to implement the Risk Management within Albyn

2.1.2 Each of these is outlined in more detail below. From time to time the Board may approve, as appropriate, other subsidiary strategies which fit into the overall strategy.

2.2 Risk Assessment

2.2.1 Risk Assessment is defined as:

The identification of Risks and expected controls, the evaluation of those controls and the action plan to close those gaps

2.2.2 Albyn will undertake the Risk Assessment as part of the Business Plan exercise.

2.2.3 The Board will approve the Risk Assessment Framework as part of the annual Business Plan process to ensure that any new or enhanced risks are identified when necessary. This is part of a risk conscious control culture, whereby any new or enhanced activity must always consider the risks involved for Albyn.

2.2.4 The Risk Assessment should include consideration of how important it is that Albyn exposes itself to the risk. Exposure to risk must be consistent with achieving Albyn's objectives.

2.2.5 A priority importance should be given to each risk, together with consideration of alternative ways of achieving the same outcome to balance out the risk.

2.2.6 For each risk identified should be assessed and scored by considering the:

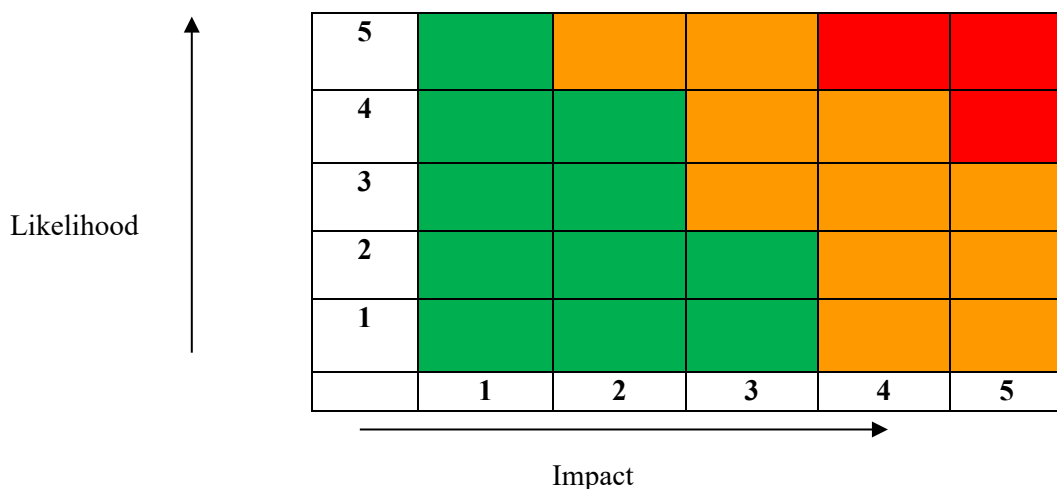
L = the likelihood of the risk occurring

I = the impact if the risk occurs

Each risk will be marked out of five for both the likelihood on probability and the impact on Albyn. (5 = highest). The marks will be noted as part of the Risk Framework. It will aid the allocation of resources to the prevention of the risk

2.2.7 The risk should then be plotted as follows

Risk Assessment



Likelihood: 5 = very high; 4 = significant; 3 = low; 2 = very low; 1 = almost impossible

Impact: 5 = catastrophic; 4 = critical; 3 reasonable; 2 = marginal; 1 = negligible

The location of any risk plotted on the grid will help identify the relevant risk management actions necessary.

2.2.7 Risks should be scored on the inherent likelihood and impact without reference to any controls or actions being put in place and the residual likelihood and impact which is the assessment of the risk after the evaluation of the control.

2.3 Control Evaluation

2.3.1 Control Evaluation is defined as:

The part of the risk assessment that evaluates whether the expected controls are in place and working effectively. In other words, whether existing control measures are adequate to manage the risk.

2.3.2 For each of the key risks identified, the Leadership Team should agree key indicators that highlight the exposure to the risk and allow monitoring of performance by setting targets and picking up any occurrence of the risk.

- 2.3.3 For each of the key indicators, the Leadership Team will report to the Board performance against the key indicators. This will normally be part of the normal cyclical reporting structure to the Audit & Risk Management Committee
- 2.3.4 Some risks identified may require more frequent monitoring than the normal cycle of meetings and the monitoring of these should be delegated to the appropriate staff member. This is particularly important where there is a potentially major impact and where the impact is immediate.
- 2.3.5 The Audit & Risk Management Committee also monitors key risks by obtaining and acting upon reports from the Internal and External Auditor.
- 2.3.6 The Control Dependency of each risk will be measured by subtracting the inherent risk score from the residual risk score. This provides an indication of the extent to which the sound operation of the controls in place help to mitigate the identified risk.

2.4 Risk Management

- 2.4.1 Albyn operates the following strategies to manage risk by deciding to:
- ♦ Eliminate the risk
 - ♦ Reduce the risk
 - ♦ Insure the risk
 - ♦ Control the risk
 - ♦ Accept the risk
- 2.4.2 The risk management carried out by the Board should be part of its business planning including budgetary processes. The risk management needed in pursuing a particular activity should be a key factor in determining whether to approve the activity as part of Albyn's formal plan.
- 2.4.3 Ensuring that there are clear structures and procedures throughout Albyn is also part of the risk management process.
- 2.4.4 The analysis of key risks should help to determine staff priorities. The priority given to different risks should also provide a focus for the assessment of the internal audit operational plan, outlining the specific work areas for internal audit and the amount of time to be spent on each of these areas.
- 2.4.5 The monitoring of key risks should provide the Board with the necessary information to take decisions that will improve performance in the areas being monitored. Reports from the Internal Auditor should include recommendations and clear actions should be agreed in response to these.

2.5 Critical Success Factors

- 2.5.1 The Strategic Objectives are by their nature Critical Success Factors (CSF). The Key Risks have been identified and allocated and associated with each CSF.

2.5.2 The Board are able to identify the critical risks that require to be mitigate and allocate resources to mitigating the risk based on the impact on the business.

2.5.3 The report on Risk Management is based on the CSF.

2.6 Risk Management Reporting

2.6.1 The Board will receive as part of each set of papers the Risk Management Matrix. This will show the risk as allocated against each CSF. The matrix will identify those risks that are critical using "RAG". For Each "red" risk the report will detail the work being pursued to mitigate the risk.

2.6.2 The Audit & Risk Management Committee will review at their meetings the Board reports and will request additional information is appropriate.

2.7 Assurance Framework

2.7.1 An Assurance Framework will be prepared annually for the Audit & Risk Management Committee. This framework is designed to illustrate for each Critical Success Factor where the assurance that the risks are mitigate by an evidence from Business Operations, or from Corporate Oversight or from Independent Assurance.

2.8 Conclusions

2.8.1 The risk management processes outlined in this document are a key part of the way in which the Board reviews the effectiveness of its system of internal financial control. They therefore contribute to the Board being in a position to make an annual public statement on internal financial control with the financial statements.

RISK MANAGEMENT CYCLE

