

STR - DHCW - 001

DIGITAL HEALTH AND CARE WALES RISK MANAGEMENT AND BOARD ASSURANCE FRAMEWORK STRATEGY

The purpose of this document is to provide guidance to all staff on the management of strategic and operational risks and the Board Assurance Framework within the organization.

Document Version	Version 1
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Status	Approved
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Document author:	Sophie Fuller, Head of Corporate Governance
Approved by	Chris Darling, Board Secretary
Date approved:	25/05/2021
Review date:	24/05/2024

Tŷ GLAN-YR-AFON 21 Heol Ddwyrainiol Y Bont-Faen, Caerdydd CF11 9AD

Tŷ GLAN-YR-AFON 21 Cowbridge Road East, Cardiff CF11 9AD

STRATEGIC OBJECTIVE	All Objectives apply
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<u>WELL-BEING OF FUTURE GENERATIONS ACT</u>	A healthier Wales
If more than one standard applies, please list below:	

<u>DHCW QUALITY STANDARDS</u>	N/A
If more than one standard applies, please list below:	

<u>HEALTH CARE STANDARD</u>	Governance, leadership and accountability
If more than one standard applies, please list below:	
Safe Care	
Effective Care	

<u>EQUALITY IMPACT ASSESSMENT STATEMENT</u>	Date of submission: March 2021
Yes, applicable	Outcome: No Impact
Statement: Digital Health and Care Wales aims to design and implement services and policies that are fair and equitable. As part of its development, this Strategy and its impact on staff, patients and the public have been reviewed in line with the DHCW Equality Impact Assessment. The purpose of the assessment is to improve service delivery by minimising and if possible removing any disproportionate adverse impact on employees, patients and the public on the grounds of race, socially excluded groups, gender, disability, age, sexual orientation or religion/belief. The equality impact assessment has been completed and has identified impact or potential impact as “no Impact”.	

APPROVAL/SCRUTINY ROUTE: Person/Committee/Group who have received or considered this		
COMMITTEE OR GROUP	DATE	OUTCOME
Audit and Assurance Committee	11/05/2021	Endorsed for consideration by the DHCW Board.
DHCW SHA Board	30/09/2021	Approved

IMPACT ASSESSMENT	
QUALITY AND SAFETY IMPLICATIONS/IMPACT	No, there are no specific quality and safety implications related to the activity outlined in this report.
LEGAL IMPLICATIONS/IMPACT	Yes, please see detail below Risk Management is integral to good governance and the safe management of the organisation. Should risk not be managed appropriately, there may be legal consequences.
FINANCIAL IMPLICATION/IMPACT	Yes, please see detail below Risk management is integral to good governance and the safe management of the organisation. Should risk not be managed appropriately, there may be financial implications.
WORKFORCE IMPLICATION/IMPACT	No, there is no direct impact on resources as a result of the activity outlined in this report.
SOCIO ECONOMIC IMPLICATION/IMPACT	No. there are no specific socio-economic implications related to the activity outlined in this report

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1. DOCUMENT HISTORY

1.1 REVISION HISTORY

Date	Version	Author	Revision Summary
26.04.21	0.1	Chris Darling	Initial Draft
17.01.22	1	Sophie Fuller	Published version


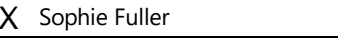
1.2 REVIEWERS


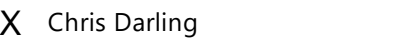
This document requires the following reviews:

Date	Version	Name	Position
18.01.22	1	Chris Darling	Board Secretary

1.3 AUTHORISATION

Signing of this document indicates acceptance of its contents.

Author's Name:	Sophie Fuller
Role:	Head of Corporate Governance
Signature:	 Recoverable Signature  X Sophie Fuller Author Signed by: 22bf922d-2b7b-4838-9f05-8179e8615e33

Approver's Name:	Chris Darling
Role:	Board Secretary
Signature:	 Recoverable Signature  X Chris Darling Approver Signed by: Chris Darling (Ch087783)

1.4 DOCUMENT LOCATION

Type	Location
Electronic	https://nhs.wales365.sharepoint.com/sites/DHC_Quality/IMS/Forms/AllItems.aspx

2. PURPOSE

- 2.1 The purpose of this strategy is to outline the organisational approach to the management of strategic and operational risks and the Board Assurance Framework within the organisation.

3. INTRODUCTION AND AIMS

- 3.1 Digital Health and Care Wales (DHCW) is committed to developing and implementing a Risk Management and Board Assurance Framework Strategy that will identify, analyse, evaluate and control the risks that threaten the delivery of its strategic objectives and delivering against its Annual Plan and Integrated Medium-Term Plan (IMTP). The Board Assurance Framework (BAF) will be used by the Board to identify, monitor and evaluate risks which impact upon strategic objectives. It will be considered alongside other key management tools, such as workforce, performance, quality and financial reports, to give the Board a comprehensive picture of the organisational risk profile.
- 3.2 The purpose of this document is to provide guidance to all staff on the management of strategic and operational risks and the Board Assurance Framework within the organisation.
- 3.3 It aims to:
- set out respective responsibilities for strategic and operational risk management for the Board and staff throughout the organisation;
 - set out responsibility for Board committees, in particular, the Audit and Assurance Committee; and
 - describe the procedures to be used in identifying, analysing, evaluating and controlling risks to the delivery of strategic objectives.
- 3.4 The objectives of DHCW's Risk Management and Board Assurance Framework Strategy are to:
- minimise impact of risks, adverse incidents, and complaints by effective risk identification, prioritisation, treatment and management;
 - ensure that risk management is an integral part of DHCW's culture;
 - maintain a risk management framework, which provides assurance to the Board that strategic and operational risks are being managed effectively;
 - maintain a cohesive approach to corporate governance and effectively manage risk management resources;
 - minimise avoidable financial loss;
 - ensure that DHCW meets its obligations in respect of Health and Safety and Quality and Safety;
 - Manage all potential risks DHCW are exposed to.

4. SCOPE

- 4.1 The Risk Management and Board Assurance Framework Strategy covers the management of Principal and Organisational risks and the process for the escalation of risks for inclusion on the Corporate Risk Register and Board Assurance Framework.
- 4.2 A risk can be defined as: “the chance of suffering harm caused by a hazard, loss or damage or the possibility that DHCW will not achieve an objective”.
- Risk is the uncertainty surrounding events and their outcomes that may have a significant effect, either enhancing or inhibiting:
- Achievement of aims and objectives
 - Operational performance
 - The meeting of stakeholder expectations
- 4.3 A risk will always have three elements: Cause-Events-Effect. In order to ensure consistency in the description of DHCW risks the guidance in Appendix 1 will be followed. A well-written risk statement captures three main parts, and will do so by ensuring risks entered into Datix include; If, Then, Resulting In, this will ensure the three elements of a risk are captured clearly – Cause-Events-Effect.
- 4.4 **Principle Risks:** are significant risks that have the potential to impact upon the delivery of Strategic Objectives and are reviewed and monitored by the Management Board, Board Committees and the Board.
- 4.5 **Organisational Risks:** are key risks that affect individual Departments, Directorates, Services or Projects and are managed within individual Directorates and Departments, and if necessary, escalated through the risk reporting structure (See Appendix 3).
- 4.6 **The Board Assurance Framework (BAF)** is an integral part of the system of internal control and defines the principal risks (15 & above) which impact upon the delivery of Strategic Objectives. It also summarises the controls and assurances that are in place or plans to mitigate them. The BAF aligns principal risks, key controls and assurances on controls alongside each of DHCW’s strategic objectives.
- 4.7 Gaps are identified where key controls and assurances are insufficient to reduce the risk of non-delivery of objectives. This enables the development of an action plan for closing the gaps and mitigating the risks which is subsequently monitored by the Board for implementation.
- 4.8 Levels of assurance are applied to each of the controls and the assurance on controls as follows:
- (1) Management Reviewed Assurance
 - (2) Board or Committee Reviewed Assurance
 - (3) External Reviewed Assurance

- 4.9 This provides an overall assurance level on each of the Principal risks.
- 4.10 This Strategy applies to those members of staff that are directly employed by DHCW and for whom DHCW has legal responsibility. However, the culture of risk management and discussion of risk with partners and stakeholders, where appropriate should be encouraged.
- 4.11 The Risk Management and Board Assurance Framework Strategy is intended to cover all the potential risks that the organisation could be exposed to and includes risks that might have a wider impact on the health and care system.

5. RISK MANAGEMENT ORGANISATIONAL STRUCTURE

The Board

- 5.1 Executive Directors and Independent Members share responsibility for the effective management of risk and compliance with relevant legislation. In relation to risk management, the Board is responsible for:
- articulating the Strategic Objectives of DHCW;
 - articulating the Principal Risks of DHCW;
 - protecting the reputation of DHCW;
 - providing leadership on the management of risk;
 - approving the risk appetite for DHCW;
 - ensuring the approach to risk management is consistently applied;
 - ensuring that assurances demonstrate that risk has been identified, assessed and all reasonable steps taken to manage it effectively and appropriately;
 - reviewing the Board Assurance Framework and the organisational Risks above the associated risk domain tolerances and escalated to the Corporate Risk Register at each meeting; endorsing risk related disclosure documents;
 - approving the Risk Management and Board Assurance Framework Strategy on an annual basis.

Audit & Assurance Committee

- 5.2 The Audit and Assurance Committee has a specific role in relation to reviewing the effectiveness of the Risk Management and Board Assurance Framework Strategy.
- 5.3 In relation to risk management, the Audit and Assurance Committee shall review the establishment and maintenance of an effective system of internal control and risk management. In particular, the Committee will review the adequacy of:

- all risk and control related disclosure statements (in particular the Annual Governance Statement), together with any accompanying Head of Internal Audit Opinion, External Audit Opinion and/or other appropriate independent assurance, prior to endorsement by the Board.
- the structures, processes and responsibilities for identifying and managing risks facing the organisation. This will be addressed by ensuring there is a periodical review that risk registers are in place and updated for Departments, Directorates, Services and Project areas.
- the Special Health Authority corporate risk register and the adequacy of the scrutiny of risks by assigned Committees. This will be addressed by ensuring all significant risks (i.e. those escalated to the corporate risk register scoring 15 or above and agreed by the Lead Director) are assigned to a Board Committee for scrutiny, and ensuring that updates on actions to mitigate the risks are provided at each committee meeting.
- the Board Assurance Framework.
- the policies for ensuring that there is compliance with relevant regulatory, legal and code of conduct and accountability requirements. By identifying and assessing regulatory, legal and code of conduct issues that could have been prevented by more effective management of risk and assurance of controls in place.
- the operational effectiveness of policies and procedures, through regular review of policies and procedures.
- the effectiveness of risk identification, management, escalation and monitoring. This will be addressed by reviewing the number of risk registers in place, the frequency of updates to the risk register and the escalation of high risks to the directorate and corporate Risk Registers.

All Board Committees

- 5.4 All Board Committees have a role to play in ensuring effective risk management in particular they will:
- Receive and scrutinise risks and provide onwards assurance to the Board in relation to risks assigned to them to provide oversight and scrutiny.
 - Committees will receive updates in terms of actions taken to mitigate the risks, and provide feedback and challenge to risk owners on the actions taken and any further action required.

Management Board

- 5.5 The Management Board undertake the following duties:
- Promote a culture within DHCW which encourages open and honest reporting of risk with local responsibility and accountability.
 - Provide a forum for the discussion of key risk management issues within DHCW, and consider risks that might impact on the wider health and care system and how these are communicated to partners.
 - Ensure appropriate actions are applied to risks DHCW wide.
 - Enable risks which cannot be dealt with locally to be escalated, discussed and prioritised.
 - Ensure Department, Directorate, Service and Project/Programme Risk Registers are appropriately rated and action plans agreed to control them.

- Review the risks on the Corporate Risk Register (risks 15-25 from Department, Directorate, Service and Project/Programme where escalated to the Corporate Risk Register by the Lead Director) to determine whether they will impact on DHCW Strategic Objectives, and if so, the risk will be added to the Board Assurance Framework (BAF) aligned to the appropriate Principal Risk.
- Review the Corporate Risk Register and Board Assurance Framework prior to its presentation to the Board and Committees as appropriate.
- Advise the Board of exceptional risks to DHCW and any financial implications of these risks.
- Ensure partners are appropriately appraised of any DHCW risks which have health and care system impact.
- Review and monitor the implementation of the Risk Management and Board Assurance Framework Strategy.
- Ensure that all appropriate and relevant requirements are met to enable the Chief Executive to sign the Annual Governance Statement, outlining how risks are identified, evaluated and controlled, together with confirmation that the effectiveness of the system of internal control has been reviewed.
- Approve documentation relevant to the implementation of the Risk Management and Board Assurance Framework Strategy.
- Provide assurance to the Board that there is an effective system of risk management across the Organisation.

Department, Directorate, Service, Project/Programme

- 5.6 The Departments, Directorates, Service (Service Management Boards), Project/Programme (Programme and Project Boards) are responsible for risks within their areas of operation and providing assurance to the Management Board on the operational management and any support required in relation to the management of risk.
- 5.7 The Departments, Directorates, Service (Service Management Boards), Project/Programme (Programme and Project Boards) are responsible for the moderation and calibration of risks across DHCW to avoid duplication, ensure compliance and alignment with the Risk Management and Board Assurance Framework Strategy and ensure shared learning across DHCW.
- 5.8 The Departments, Directorates, Service (Service Management Boards), Project/Programme (Programme and Project Boards) will review and update existing risks, consider new risks for inclusion and escalate any extreme risks to the Director assigned as the Strategic Risk Owner for the risk being escalated.
- 5.09 Escalated risks are presented to the Management Board by the relevant Strategic Risk Owner (Director with responsibility for that risk) following discussion with the Departments, Directorates, Service (Service Management Boards), Project/Programme (Programme and Project Boards).
- 5.10 DHCW's 'Risk Management Process – Service to Board' is included at Appendix 3. Further information on escalating risk on Datix can be found in the 'Risk Management Procedure'
- 5.11 The Risk Management Group will oversee the risk escalation process and ensure close monitoring of risk management and Board Assurance Framework systems and processes.

6. RESPONSIBILITIES AND DUTIES

6.1 The following paragraphs set out the respective risk management duties and responsibilities for individual staff members.

All Staff

6.2 All members of staff are accountable for maintaining risk awareness and identifying and reporting risks as appropriate to their line manager.

6.3. In addition, they will ensure that they familiarise themselves and comply with all the relevant risk management strategies, policy, procedures and guidance for DHCW and attend/complete risk management training as appropriate.

6.4 They will:

- accept personal responsibility for maintaining a safe environment, which includes being aware of their duty under legislation to take reasonable care of their own safety and all others that may be affected by DHCW's business;
- report all incidents/accidents and near misses;
- comply with DHCW's incident and 'near miss' reporting procedures;
- be responsible for attending mandatory and relevant education and training events;
- participate in the risk management system, including the risk assessments within their area of work and the notification to their line manager of any perceived risk which may not have been assessed; and
- be aware of DHCW's Risk Management and Board Assurance Framework and processes and the local strategy and procedures and comply with them.

Line Managers

6.5 The identification and management of risk requires the active engagement and involvement of staff at all levels, as staff are best placed to understand the risks relevant to their areas of responsibility and must be supported and enabled to manage these risks, within a structured risk management framework.

6.6 Managers at all levels of the Organisation are therefore expected to take an active lead to ensure that risk management is embedded into the way their service/team/area operates. Managers must ensure that their staff understand and implement this Strategy and supporting processes, ensuring that staff attend relevant mandatory and local training programmes;

6.7 Managers must be fully conversant with DHCW's approach to risk management and governance. They will support the application of this Strategy and its related processes and participate in the monitoring and auditing process.

DHCW Directors

6.8 DHCW Directors are accountable and responsible for ensuring that their areas of responsibility are implementing this Strategy and related procedures, policies and guidance. Each Director is accountable for the delivery of their particular area of responsibility and will

therefore ensure that the systems, policies and people are in place to manage, eliminate or transfer the key risks related to the DHCW's strategic objectives.

6.9 DHCW Directors are responsible for the implementation of the Risk Management and Board Assurance Framework Strategy and relevant policies which support DHCW's risk management approach.

6.10 Specifically they will:

- Act as strategic risk owner for risks within their remit escalated to the Corporate Risk Register;
- Use the Datix Risk Management system for recording and reviewing risk;
- communicate to their staff DHCW's strategic objectives and ensure that Directorate, Department, Service and Project and individual objectives and risk reporting are aligned to these;
- ensure that a forum for discussing risk and risk management is maintained within their areas which will encourage the proactive management of risk;
- provide reports to the appropriate committee of the Board that will contribute to the monitoring and auditing of risk;
- Ensure partners are aware of any risks that may affect the wider health and care system;
- ensure staff attend relevant mandatory and local training programmes;
- ensure a system is maintained to facilitate feedback to staff on risk management issues and the outcome of incident reporting; and
- ensure the specific responsibilities of managers and staff in relation to risk management are identified within the job description for the post and those key objectives are reflected in the individual performance review/staff appraisal process.
- ensure that the BAF and the risk management reporting timetable are delivered to the DHCW Board.
- Promote a culture within the Organisation which encourages open and honest reporting of risk with local responsibility and accountability;
- co-ordinate the risk management processes which includes risk assessments, incident reporting, the investigation of incidents/near misses and the management of the risk register;
- ensure there is a system for monitoring the application of risk management within their area and that risks are treated in accordance with the risk grading action guidance contained in this document;
- Update Management Board on the management and mitigation of risk for their area;
- Escalate risks that exceed the associated risk domain tolerance that cannot be managed at a Directorate level to the Strategic Objective Owner for consideration and review at the Risk Management Group. This will then be reviewed via Management Board for escalation to the Corporate Risk Register and/or Board Assurance Framework.

Heads of Department, Heads of Service and Project Leads

6.11 Responsible for the implementation of the Risk Management and Board Assurance Framework Strategy and relevant policies, procedures and guidance which support DHCW's risk management approach.

6.12 Specifically they will:

- promote a culture within their area of responsibility which encourages open and honest reporting of risk with local responsibility and accountability.
- use the Datix Risk Management system for recording and reviewing risk.
- ensure a forum for discussing risk, risk management and organisational learning is maintained within their Service/Department/Project area of responsibility and shared with the DHCW Risk Management Group;
- co-ordinate the risk management processes which includes risk assessments, incident reporting, the investigation of incidents/near misses and the management of the risk register;
- ensure there is a system for monitoring the application of risk management within their area and that risks are treated in accordance with the Risk Management Procedural [Documents](#)
- update Management Board on the management and mitigation of risk for their area;
- provide reports to the Management Board and appropriate Committees of the Board that will contribute to the organisational monitoring and auditing of risk;
- ensure staff attend relevant mandatory and local training programmes.
- ensure a system is maintained to facilitate feedback to staff on risk management issues and the outcome of incident reporting.

Board Secretary

6.13 The Board Secretary will:

- work closely with the Chair, Chief Executive, Chair of the Audit and Assurance Committee, other Committee Chairs and DHCW Directors to implement and maintain the Risk Management and Board Assurance Framework Strategy and related processes, ensuring that effective governance systems are in place;
- work with the Board of DHCW to develop a shared understanding of the risks to DHCW's strategic objectives;
- develop and communicate the Board's risk awareness, appetite and tolerance;
- develop and oversee the effective execution of the BAF and ensure effective processes are embedded to rigorously manage the risks therein;
- monitoring the action plans and reporting to the DHCW Board and relevant Committees.

Chief Executive

- 6.14 The Chief Executive as Accountable Officer of DHCW has overall accountability and responsibility for ensuring it meets its statutory and legal requirements and adheres to guidance issued by the Welsh Government in respect of Governance. This responsibility encompasses risk management, health and safety, finance, and organisational control and governance.
- 6.15 The Chief Executive has overall accountability and responsibility for:
- ensuring DHCW maintains an up- to-date Risk Management and Board Assurance Framework Strategy endorsed by the Board;
 - promoting a risk management culture throughout DHCW;
 - ensuring that there is a framework in place which provides assurance to DHCW in relation to the management of risk and internal control;
 - putting in place and maintaining an effective system of risk management and internal control.
- 6.16 The Welsh Government requires the Chief Executive to sign an Annual Governance Statement on behalf of the Board. This outlines how risks are identified, evaluated and controlled, together with confirmation that the effectiveness of the system of internal control has been reviewed.

Internal Audit

- 6.17 Internal Audit Services, provided by NHS Wales Shared Services Partnership will, through a risk based programme of work, provide DHCW with independent assurance in respect of the adequacy of the systems of internal control across a range of financial and business areas in accordance with the standards and good practice. They will also review the effectiveness of risk management arrangements as part of their programme of audits and reviews, reporting findings to the Audit and Assurance Committee as appropriate.

7. RISK MANAGEMENT PROCESS

DHCW is committed to developing a pro-active and systematic approach to risk management. Appendices 2 and 3 outline the risk management and risk quantification process.

Risk Assessment

- 7.1 Each member of staff (Department, Directorate, Service, Project/Programme) needs to identify risks through the completion of risk assessments and ensure that risk assessments are completed and regularly reviewed on an ongoing basis.

Corporate Risk Register (Critical/Significant Risks)

- 7.2 The Corporate Risk Register is a record of all the risks identified across DHCW through the Risk Management process, their controls, score and risk treatment/mitigation. Any risk score

exceeding the associated risk domain tolerance should be reviewed by the relevant Lead Director for consideration of inclusion onto the Corporate Risk register. Risks to be included on the Corporate Risk Register would typically be those exceeding their risk appetite domain tolerance and have Organisational wide implications, reputational risk impact or difficult to mitigate. Risks not exceeding their risk appetite domain tolerance can be escalated to the Corporate Risk register if the Lead Director feels it is necessary and that the risk needs corporate oversight.

Management of Local Risks (Moderate/Low Risks Rated below 15)

- 7.3 Any risks identified and evaluated as having a low/moderate rating, i.e. a score of between one and twelve, can be managed locally within the relevant area, unless the Lead Executive feels the risk needs to be escalated to go onto the Corporate Risk Register. These risks can typically be resolved quickly and relatively easily if the correct actions are identified, completed and become controls under business as usual. These risks are recorded locally in the local risk register within each department, project, service, directorate.
- 7.4 All local risks should be reviewed and updated monthly at a minimum. This may need to be more frequent if circumstances require.
- 7.5 If it is felt that the risk can no longer be managed locally and requires more senior input and support then it will be escalated.
- 7.6 If a risk is scored 15 and above it should be escalated as outlined in Appendix 3.

Types of Risk

- 7.7 There are two categories of risk:
- **Principal Risks:** are significant risks that have the potential to impact upon the delivery of Strategic Objectives and are reviewed and monitored by the Management Board, Board Committees and the DHCW Board. These are most likely to affect the performance and delivery of strategic objectives.
 - **Organisational Risks:** are key risks that affect individual Directorates, Departments, Services, Project/Programmes and are managed within individual Directorates, Departments, Services, Project/Programmes, and if necessary, escalated through the risk reporting structure (See Appendix 2 and 4). Organisational risks scoring 15 and above will be considered by the relevant Director, and via the Risk Management Group for escalation to the Corporate Risk Register. These are risks that, if they occur, will affect the quality, safety or delivery of services or continuity of business. Corporate risks will often have an Organisational wide or reputational impact. They are not mutually exclusive and a risk may escalate from an organisational risk to a principal risk or be both.

Board Assurance Framework (BAF)

- 7.8 The Risk Management and BAF Milestone Plan aspires to establish a Board Assurance Report (BAR), whilst not yet established, the planned approach for the developing the Board Assurance Report is outlined in the following paragraphs.

- 7.9 The BAR will detail the principal risks faced by DHCW in meeting its strategic objectives and provides DHCW with a comprehensive method of describing the Organisation's objectives, identifying key risks to their achievement and the gaps in assurances on which DHCW relies.
- 7.10 The BAR will be developed through the following key steps:
- The Board annually agree the Strategic Objectives as part of the business planning cycle (Annual Plan/Integrated Medium-Term Plan (IMTP) process).
 - The Management Board will initially identify the principal risks that may threaten the achievement of DHCW's strategic objectives; these risks will then be discussed and approved by the DHCW Board of Directors.
 - For each principal risk a Lead Director will be identified and will:
 - Give an initial (inherent) risk score, by determining the consequence and likelihood of the risk being realised;
 - Link the risk to the strategic objectives.
- 7.11 The Director Lead will then:
- Identify the key controls in place to manage the risks and achieve delivery of the strategic objective;
 - Identify the arrangements for obtaining assurance on the effectiveness of key controls across all the areas of principal risk;
 - Evaluate the assurance across all areas of principal risk, i.e. identifying sources of assurance DHCW is managing the risks to an acceptable level of tolerance;
 - Identify how / where / when those assurances will be reported;
 - Identify areas where there are gaps in controls (where DHCW is failing to implement controls or failing to make them effective);
 - Identify areas where there are gaps in assurances (where DHCW does not have the evidence to assure that the controls are effective);
 - Develop an action plan to mitigate the risk;
 - Agree a current (residual) risk rating which is determined by the consequence and likelihood of the risks.
- 7.12 Once agreed by Management Board the completed BAR will be presented to DHCW Board for scrutiny and approval at all regular meetings.
- 7.13 Each month the Director Lead will for each of the principal risks in the BAR for which they are responsible, review and monitor the controls and reported assurances and update the risk score and action plans.
- 7.14 The Director Lead will review and monitor all of the BAR risks bi-monthly prior to presentation to the DHCW Board. In particular, the DHCW Board will ensure that progress is being made to reduce or eliminate the impact of the risk.

7.15 The Audit and Assurance Committee, as a Committee of the Board, has oversight of the processes through which the Board gains assurance in relation to the management of the BAF.

Risk Quantification and Escalation

- 7.16 The approach to quantifying risk is described in Appendix 2. Each risk is assessed and scored on the likelihood of occurrence and the severity/impact in the initial (without controls), current (with controls) and target risk score (after completion of actions). A risk scoring matrix to describe the quantification of risk is also included in Appendix 2.
- 7.17 The process of risk escalation will be monitored by the Audit and Risk Assurance Committee, through monitoring new risks hitting threshold scores and being escalated as appropriate.
- 7.18 The score of a particular risk will determine at what level decisions on acceptability of the risk should be made and where it should be reported to, as set out in the table below:

Critical/ Significant Risk	Score 15 and above	Report immediately to relevant Director and escalate to the Corporate Risk Register if agreed by the relevant Director. Where a risk is considered appropriate the Director will inform the Chief Executive. Formally record on Datix.
Moderate Risk	Score 8-12	Report Department, Directorate, Service, Project/Programme to the relevant Tier 3 Manager and make the relevant Director aware. Formally record on Datix.
Low Risk	Score 4-7	Report to the relevant Manager with proposed treatment/action plans, for particular monitoring.
Very Low Risk	Score 1-3	Report to local manager for local action to reduce risk

Risk Appetite

- 7.19 At its simplest, risk appetite can be defined as the amount of risk that an organisation is prepared to accept in the pursuit of its strategic objectives.
- 7.20 Decisions on accepting risks may be influenced by the following:
- the likely consequences are insignificant
 - a higher risk consequence is outweighed by the chance of a much larger benefit
 - occurrence is rare
 - the potential financial costs of minimising the risk outweighs the cost consequences of the risk itself
 - reducing the risk may lead to further unacceptable risks in other areas
- 7.21 Therefore a risk with a high numerical value may be acceptable to the organisation, but that

decision would need be taken at an appropriate level.

7.22 The Board will review its risk appetite on an annual basis to ensure that progress is being made to the 'risk appetite' DHCW wishes to achieve.

7.23 The matrix has the following risk levels:

Averse	Avoidance of risk and uncertainty is a key organisational objective
Cautious	Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward
Moderate	Willing to consider all potential delivery options and choose while also providing an acceptable level of reward
Open	Eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk)
Hungry	Confident in setting high levels of risk appetite because controls, forward scanning and responsive systems are robust.

7.24 The DHCW Risk Appetite Statement will be developed as part of the Risk Management and BAF process and then included in this Strategy as Appendix 4.

8. INFORMATION / SUPPORT

8.1 Support and guidance is available from the Board Secretary via Chris.Darling@wales.nhs.uk or the Corporate Governance team on DHCW.riskmanagement@wales.nhs.uk

8.2 Risk Assessment templates are available via the following site on SharePoint: [Management System - All Documents \(wales.nhs.uk\)](#)

8.3 Training is available by contacting DHCW.riskmanagement@wales.nhs.uk

9. REFERENCES

DOCUMENT	VERSION
POL-CG-004 Risk Management Policy	1
SOP-CG-007 Risk Management Procedure	1
PFC-CG- Risk Assessment Process	1
TEM-Risk Assessment Form	1
TOR-DHCW-001 Risk Management Group Terms of Reference.pdf	5

10. ATTACHMENTS

11. Appendix 1 - Definitions

Assurance	Confidence gained, based on sufficient evidence, that internal controls are in place and are operating effectively, and that objectives are being achieved. Sources of assurance include; reviews, audits, inspections both internal & external.
Assurance rating	This is the rating which has been given regarding the level of assurance: (1) = Operational/Management Reviewed Assurance (2)= Committee/Board Reviewed Assurance (3)= External Reviewed Assurance
Control Measures	A control is any measure or action that modifies risk. Controls include any policy, procedure, practice, process, technology, technique, method, or device that modifies or manages risk. Risk treatments become controls, or modify existing controls, once they have been implemented.
Current Risk Rating	The risk rating whilst risk responses are in the process of being implemented. Some controls are probably in place but others required are still being actioned & will be shown as gaps in control & actions until implemented.
Initial Risk Rating	The risk rating before any controls have been put in place.
Risk Actions	Actions required to mitigate the risk. Actions should be SMART & have clear owners assigned. This will allow action progress to be tracked & monitored & issues with action completion to be visible & dealt with
Risk Appetite	At its simplest, risk appetite can be defined as the amount of risk that an organisation is prepared to accept in the pursuit of its strategic objectives.
Risk Assessment	Risk assessment is a process that is made up of three separate processes: risk identification, risk analysis, and risk evaluation. Risk identification is a process that is used to find, recognize, and describe the risks that could affect the achievement of objectives. Risk analysis is a process that is used to understand the nature, sources, and causes of the risks that you have identified and to estimate the level of risk. It is also used to study impacts and consequences and to examine the controls that exist. Risk evaluation is a process that is used to compare risk analysis results with risk criteria in order to determine whether or not a specified level of risk is acceptable or tolerable.
Risk Description	A structured statement describing the risk usually containing the following elements: sources, events, causes and consequences / impact. A well-written risk statement captures three main parts; If, Then, Resulting In.
Risk Management	Risk management refers to a coordinated set of activities and methods that is used to direct an organization and to control the many risks that can affect its ability to achieve objectives. The term risk management also refers to the programme that is used to manage risk. This programme includes risk management principles, a risk management framework, and a risk management process.
Risk Owner	Senior person best placed to oversee the associated actions to mitigate and manage

	the risk with decision making authority. This person is accountable for the Risk & should be aware of its current status
Risk Handler	Risk Handlers are individuals that are identified as best place to support the risk owner in the management of the risk. They will likely have the most contact with the risk record and are responsible for ensuring the record is accurate and updated on a regular basis of at least once a month. They will support the risk owner in chasing mitigating actions.
Risk Rating	This is calculated by multiplying consequence x likelihood (impact x probability). Consequence: is the outcome of an event and has an effect on objectives. Likelihood: is the chance that something might happen. Likelihood can be defined, determined, or measured objectively or subjectively.
Risk Treatment	This is a risk modification process. It involves selecting & implementing one or more treatment options. Once a treatment has been implemented, it becomes a control or it modifies existing controls. Treatment options include; Avoidance / Remove the source of the risk Reduction Transference Retain / Accept the risk Also known as the four T's – Treat, Transfer, Tolerate & Terminate
Target Risk Rating	When action is taken to treat risks, it may eradicate the possibility of the risk occurring. However, actions are often more likely to reduce the probability of the risk occurring, leaving the residual risk. The remaining level of risk after all treatment plans have been implemented is the residual risk. Generally the target level is the level at which the organisation is saying it's happy to live with. All agreed controls are in place & assurance is being provided that controls are working as planned. At this point the risk should be closed unless further actions are deemed required.

12. Appendix 2 – Risk Domains & Risk Matrix

TABLE 1					
IMPACT – HOW WILL THIS RISK IMPACT THE ORGANISATION					
Domain	1 Negligible	2 Minor	3 Moderate	4 Major	5 Catastrophic
Financial	Unplanned financial impact under 0.1% of budget	Unplanned financial impact between 0.1% and 0.25% of budget	Unplanned financial impact between 0.25% and 0.5% of budget	Unplanned financial impact between 0.5% and 1% of budget	Unplanned financial impact > 1% of budget
Compliance	No or minimal impact or breach of guidance/ statutory duty	Minor non-conformity with statutory legislation / Reduced performance rating if unresolved	Single breach in statutory duty / Challenging external recommendations/ improvement notice	Enforcement action / Multiple breaches in statutory duty Improvement notices / Low performance rating / Critical report/ special measures/ replacements of management	Multiple breaches in statutory duty / Prosecution/ Complete systems change required / Zero performance rating/ Severely critical report
Patient/Citizen Safety	Minimal injury requiring no/minimal intervention or treatment No time off work /Informal complaint/inquiry / Peripheral element of treatment or service suboptimal / Informal complaint/inquiry	Minor injury or illness, requiring minor intervention / Formal complaint (stage 1) / Minor implications for patient safety if unresolved	Moderate injury requiring professional intervention/ An event which impacts on a small number of patients / Formal complaint (stage 2) complaint / Major patient safety implications if unresolved	Major injury leading to long-term incapacity/disability / Mismanagement of patient care with long-term effects / Multiple complaints/ independent review Low performance rating / Non-compliance with national standards with significant risk to patients if unresolved	Incident leading to death / Multiple permanent injuries or irreversible health effects / An event which impacts on a large number of patients / Gross failure of patient / Totally unacceptable level or quality of treatment/service
Safety and Wellbeing	Short-term low staffing level that temporarily reduces service quality (< 1 day)/ >80% appraisal compliance rate	Low staffing level that reduces the quality of services/ >75% appraisal compliance rate	Late delivery of key objective/ service due to lack of staff/RIDDOR/agency reportable incident / Unsafe staffing level or competence (>1 day)/ Low staff morale/ >70% appraisal compliance rate	Uncertain delivery of key objective/service due to lack of staff /Loss of key staff /Very low staff morale / >65% appraisal compliance rate	Non-delivery of key objective/service due to lack of staff /Ongoing unsafe staffing levels or competence Loss of several key staff / >60% appraisal compliance rate

Service Delivery	Recovered within the Service Level Agreement timeframe and is a non-recurrent event	Recovered slightly outside the Service Level Agreement timeframe and is a non-recurrent event	Recovered outside the Service Level Agreement timeframes/potential ongoing recurrent service disruption	Recovered outside the Service Level Agreement timeframes/Frequent service disruption	Permanent loss of service or facility
Development of Services	Insignificant cost increase/ project slippage slightly outside tolerance	<5 per cent over project budget Schedule slippage	5–10 per cent over project budget / Schedule slippage	Key objectives not met / Non-compliance with national objectives 10–25 per cent over project budget Schedule slippage	Incident leading >25 per cent over project budget Schedule slippage / Key objectives not met
Reputational	Rumours / Potential for public concern/	Local media coverage – short-term reduction in public confidence / Elements of public expectation not being met / Local resolution / Single failure to meet internal standards/ Reduced performance rating if unresolved	Local media coverage – long-term reduction in public confidence / Repeated failure to meet internal standards / Local resolution (with potential to go to independent review)	National media coverage with <3 days service well below reasonable public expectation / Critical report	National media coverage with >3 days service well below reasonable public expectation. MP/MS concerned (questions raised)/ Total loss of public confidence / safety if findings not acted on / Inquest/ombudsman inquiry / Gross failure to meet national standards
Information – Storing and maintaining	Minimal or no loss of non-vital data/ minimal or no impact on reputation/ minimal or no failures in responsibilities	Insignificant loss of data causing minor reduction in service quality/ minor impact on reputation/ minor failures in responsibilities	Minimal loss of data causing moderate reduction in service quality/ moderate impact on reputation/ moderate failures in responsibilities	Retrievable loss of multiple data sets causing reduction in service quality/major impact on reputation/ major failures in responsibilities	Irretrievable loss of data/catastrophic impact to reputation/ gross failure in responsibilities
Information – Access and Sharing	Access interruption for <1 day/ negligible impact to reputation/ no failure in responsibilities	Access interruption for more than 1 days/minor impact to reputation/ no failure in responsibilities	Access interruption for more than 2 days/ /moderate impact to reputation/ gross failure in responsibilities	Access interruption for more than 3 days/ major impact to reputation/ gross failure in responsibilities	Access interruption for more than 4 days/ catastrophic impact to reputation/ gross failure in responsibilities
Corporate Social Responsibility	Minimal or no impact on the environment or decarbonisation objectives/Minimal non-compliance with Welsh Language Standards	Minor impact on environment or the decarbonisation objectives / Minor non-compliance with Welsh Language Standards	Moderate impact on environment or the decarbonisation objectives / Moderate non-compliance with Welsh Language Standards	Major impact on environment or the decarbonisation objectives / Major non-compliance with Welsh Language Standards/Investigation opened by the Welsh Language Commissioners office	Catastrophic impact on environment or the decarbonisation objectives / Catastrophic non-compliance with Welsh Language Standards/ Fine issued by the Welsh Language Commissioners office

Frequency – How often might it happen?	1. Rare This will probably never happen/recur (except in very exceptional circumstances).	2. Unlikely Do not expect it to happen/recur but it is possible that it may do so.	3. Possible It might happen or recur occasionally	4. Likely It might happen or recur occasionally.	5. Almost Certain it will undoubtedly happen/recur, possibly frequently.
Probability – will it happen? (what is the chance the adverse consequence will occur in a given reference period?)	(0-5%*)	(5-25%*)	(25-75%*)	(75-95%*)	(>95%*)

Consequence	1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost certain
5 - Catastrophic	5	10	15	20	25
4 - Major	4	8	12	16	20
3 - Moderate	3	6	9	12	15
2 - Minor	2	4	6	8	10
1 - Negligible	1	2	3	4	5

Consequence / severity scores (C)

Using table 1 choose the most appropriate domain for the identified risk from the left hand side of the table. Then work along the columns in same row with the examples of descriptors to assist in identifying a consequence / severity score, on the scale of 1 to 5, which is the number given at the top of the column.

A single risk area may have multiple potential consequences, and these may require separate assessment. It is also important to consider from whose perspective the risk is being assessed (organisation, member of staff, patient) because this may affect the assessment of the risk itself, its consequences and the subsequent action taken.

Likelihood score (L)

Using table 2 assess the likelihood of the consequence occurring, which is also given a score of 1 to 5, the higher the number the more likely it is the consequence will occur.

Risk score

Using table 3, calculate the risk score by multiplying the consequence/impact by the likelihood:

$$C/I \text{ (consequence/impact)} \times L \text{ (likelihood)} = R \text{ (risk score)}$$

Identify the level at which the risk will be managed in the Health Board, assign priorities for remedial action, and determine whether risks are to be accepted on the basis of the colour bandings and risk ratings, and the organisation's risk management system.

RISK RATING INDEX		
SCORE	Grade	Timescales for action
1 – 3 Low	Low risk	Quick, easy measures implemented immediately, and further action planned for when resources permit. Review when appropriate.
4 – 6 Moderate	Moderate risk	Actions implemented as soon as possible but no later than a year. Review when appropriate.
8 – 12 Significant	Significant risk	Actions implemented as soon as possible and no later than six months. Review no later than six months.
15 – 25 Critical	Critical risk	Requires urgent action by Senior Management

13.Appendix 3 – Risk Management Process – Service to Board

TASK / ACTIVITY	RISK RATING	RESPONSIBILITY	RISK REGISTER	ESCALATION
<p>1. Risk Assessment</p> <ul style="list-style-type: none"> Identify Operation and Strategic risks through the completion of risk assessment and for ensuring that risk assessments are completed on an ongoing basis. <p>Training is available for Risk Assessments and for the Datix System</p>		<p>Each:</p> <ul style="list-style-type: none"> All staff Department Directorate Service Project/Programme Director Lead 	N/A	No
<p>2. Risk Register</p> <ul style="list-style-type: none"> Use the Datix Risk Management System to record all risk identified through the Risk Management Process, their Controls, score and risk treatment/mitigation. Please use the Risk Matrix set out in the Risk Management and BAF Strategy – Appendix 2. 		<p>Each:</p> <ul style="list-style-type: none"> All staff Department Directorate Service Project/Programme Director Lead 	N/A	No
<p>3. Department, Directorate, Service, Project Risks</p> <ul style="list-style-type: none"> Risks Identified at a Department, Directorate, Service, Project Level should be recorded by a relevant Manager on a Risk Register. Reviewed at least monthly at the relevant Directors meeting. Any risks identified and evaluated as having a low/moderate rating, i.e. a score of between 1 and 8, can be managed locally within the relevant area. All local risks should be reviewed and updated at least bi-monthly at a minimum 	<p>Scored Between 1-12</p>	<ul style="list-style-type: none"> Manager Department Directorate Service Project/Programme Director Lead <p>Held and Managed at Department, Directorate, Service, Project Level</p>	<p>Service Group Risk Register</p>	<p>NO</p> <p>If it is scored below 12 and can be managed locally at Department, Directorate, Service, Project Level</p> <p>YES</p> <p>1) If it is felt that the risk can <u>no longer be managed at Department, Directorate, Project or Service level</u> and requires more Senior input and support then it will be first escalated up through the Tier 3 Manager</p> <p>And</p> <p>2) If the risk exceeds its risk appetite or is scored at 12 or above it should be escalated to the Director</p> <p>2) If the risk exceeds its risk appetite</p>

and more frequently if circumstances required.

<p>4. Corporate Risk Register</p> <ul style="list-style-type: none"> The DHCW Director will on a monthly basis identify all new and current risks scored at 15 or above on the Department, Directorate, Service, Project risk registers. These risks will be considered by the lead Director and approved for including on the Corporate risk register, which will be reviewed at at the Risk Management Group and Management Board. Updated monthly at Management Board. 	<p>Risks scored at 15 or above</p>	<p>Director Leads</p>	<p>Corporate Risk Register</p>	<p>or is scored at 15 or above it should be escalated to the lead Director for consideration of adding to the CORPORATE RISK REGISTER</p> <p>If the risk exceeds its risk appetite tolerance or is scored at 15 or above it should be escalated to the lead Director for consideration of adding to the CORPORATE RISK REGISTER</p> <p>If a risk is approved to go onto the Corporate Risk Register, once mitigated to a score below 12 it should be moved back to a local risk register for ongoing oversight. The Risk Management Group will review and endorse any risks proposed for escalation to the Corporate Risk register and will review in light of the risk domain tolerance levels.</p>
<p>5. Board Assurance Report</p> <p>Where an organisational risk has significant implications for the delivery of Strategic Objectives consideration will be given by Management Board as to whether a related strategic risk should be recorded on the Board Assurance Framework Report.</p>	<p>Implications for Strategic Objectives</p>	<p>Director Leads</p>	<p>Board Assurance Framework / Report</p>	<p>Escalation to BAR</p> <p>Where there are implications for Strategic Objectives</p>

14. Appendix 4 – Digital Health and Care Wales Special Health Authority - Risk Appetite Statement

RISK APPETITE STATEMENT

- DHCW must take risks to achieve its strategic aims and deliver beneficial outcomes to stakeholders
- Risks will be taken in a considered and controlled manner
- Exposure to risks will be kept to a level of impact deemed acceptable by the Board
- The acceptable level may vary from time to time and will therefore be subject to at least annual review and revision
- Any risk outside our agreed appetite may be accepted and will be subject to a governance process to ensure visibility and management
- Some risks above the agreed risk appetite may be accepted because:
 - the likelihood of them occurring is deemed to be sufficiently low
 - they have the potential to enable realisation of considerable reward/benefit
 - they are considered too costly to control given other priorities
 - the cost of controlling them would be greater than the cost of the impact should they materialise
 - there is only a short period of exposure to them
 - mitigating action is required by an external party

DEFINITION OF APPROACHES

Approach	Approach to achieving aims and objectives
Adverse	Preference for ultra-safe options that have a low degree of inherent (unmitigated) risk.
Cautious	Preference for safe options that have a low degree of residual (mitigated) risk.
Moderate	Preference for mostly proven options, while prepared to accept a medium level of residual (mitigated) risk.
Open	Willing to choose options that appear the most likely to result in successful delivery, even if they have elevated levels of residual (mitigated) risk.
Hungry	Willing to choose options that appear the most likely to result in successful delivery, even if they have very high levels of residual (mitigated) risk.

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Approach	Tolerance	Relevant Domains		
Adverse	Risks with rating 9 or above are reported to the Board	Compliance	Information – Storing and maintaining	Citizen Safety
Cautious	Risks with rating 12 or above are reported to the Board	Financial	Safety and Wellbeing	Service Delivery
		Reputational	Information – Access and Sharing	
Moderate	Risks with rating 15 or above are reported to the Board	Corporate Social Responsibility		
Open	Risks with rating 20 or above are reported to the Board	Development of Services		
Hungry	Risk with rating 25 of above are reported to the Board	None		

RISK APPETITE DOMAINS

Domain	Definition	Appetite	Articulated Statement
Financial	Impacts upon the financial position and sustainability of the organisation	CAUTIOUS	DHCW will accept little risk accepted but in certain circumstances there may be a higher tolerance level to achieve specific goals that will help deliver substantial benefits to stakeholders and/or realise significant longer-term efficiencies for DHCW or the system.
Compliance	Impacts upon the organisation's conformance with legal obligations and statutory duties and its compliance with regulatory requirements	ADVERSE	DHCW must be averse to risks that could impact upon its compliance with law and regulation. It will ensure robust processes and systems are in place to ensure obligations are appropriately managed and risk reduced to the lowest practical level.
Patient/Citizen Safety	Impacts upon the safety and wellbeing of patients/citizens	ADVERSE	DHCW must be averse to risks that threaten the safety of service users, citizens, and the public. As a consequence, it will endeavour to eliminate such risks or reduce them to the lowest practical level.
Safety and Wellbeing	Impacts upon the safety and well-being of those who work for or with DHCW	CAUTIOUS	DHCW will endeavour to ensure the safety and wellbeing of those who work for or with DHCW.

Service Delivery	Impacts upon the intended/expected/contracted delivery of the organisation's services.	CAUTIOUS	Delivery of DHCW's core operational services must be protected from adverse impact from risks, while recognising that pursuing certain activities may result in some minor or short-term disruption to those services.
Development of Services	Impacts upon our ability to deliver innovative solutions for emerging service requirements	OPEN	DHCW will accept risks that appear the most likely to result in successful delivery, even if they have elevated levels of residual (mitigated) risk.
Reputational	Impacts upon the organisation's reputation amongst all or some of its stakeholders including the general public.	CAUTIOUS	Damage to the DHCW's reputation can undermine stakeholder confidence and be costly to remedy, so only risks with a low reputational impact will be acceptable.
Information – Storing and maintaining	Impacts upon the organisation's ability to safely store, maintain, and transform data.	ADVERSE	DHCW recognise the importance of an adverse approach to the safety of data stored and managed by the organisation and will accept little to no risk impact in this area.
Information – Access and Sharing	Impacts upon the organisation's ability to transform, access, share, and use data.	CAUTIOUS	Access and sharing of data will enable further benefit and value from data. DHCW will accept a small amount of risk to allow access and sharing of data for potential wide reaching and transformational benefits.
Corporate Social Responsibility	Impacts on the organisation's ability to deliver an inclusive, sustainable, and socially responsible contribution to Wales including in the economic and social recovery	MODERATE	DHCW will endeavour to be a leader in terms of their Corporate Social Responsibility, this means DHCW will accept a moderate impact on their Corporate Social Responsibility should longer term benefits be realised from short term impact.