Revenue Scotland

Risk Management Framework

January 2023

Revenue Scotland
Teachd-a-steach Alba

Document Control

Title	Revenue Scotland Risk Management Framework
Prepared by	Gordon Buchan
Approved internally by	
Date of approval	
Version number	2.1
Review frequency	Every 3 years
Next review date	January 2025

Status Control

Version	Date	Status	Prepared by	Reason for amendment
0.1	15/07/2015	Draft	Denise McCann	Creation of Document
0.2	30/01/2017	Published	Brian Rigby	Amendments
0.3	26/06/2017	Published	Brian Rigby	Amendments
1.0	19/04/2018	Published	Grant Neilson	Control sheet added
1.1	16/10/2018	Draft	Gary Sharp	Review of risk management
2.0	12/12/2018	Approved	Gary Sharp	Publish approved version
2.1	10/01/2023	Draft	Gordon Buchan	Review of risk management
2.2	07/06/2023	Draft	Gordon Buchan	ARC Review of Risk Framework
2.3	09/08/2023	Draft	Gordon Buchan	Board Review of Risk Framework
3.0	17/10/2023	Approved	Gordon Buchan	Publish approved version

Contents

Revenue Scotland Risk Management Framework

1. Introduction

This Risk Management Framework sets out our approach to risk management and outlines the key objectives, strategies and responsibilities for the management of risk across Revenue Scotland. It pertains to all staff and should be applied consistently across the organisation.

2. Purpose

2.1 Revenue Scotland has a responsibility to manage risks and to implement a systematic approach to risk management including the promotion of a 'risk aware' culture, in order to support the effective delivery of its objectives. This requires risks to be regularly identified, reviewed, addressed and updated. The application of this Framework, supported by appropriate training for all staff, enables Revenue Scotland to effectively respond to the varied and changing risks it faces.

3. Benefits

3.1 Revenue Scotland is committed to ensuring that the management of risk underpins all business activities and that proportionate risk management tools and procedures are in place across the organisation as appropriate. This Framework, supported by appropriate training for staff, enables more effective risk management to take place, which in turn promotes:

i. Better informed decision-making.
ii. More effective use of public resources.
iii. Enhanced strategic and business planning.
iv. Strengthened contingency planning.

4. Risk Management Approach

4.1 Risk is defined within Revenue Scotland as:

'*The effect of uncertainty on objectives;*
an effect is a positive or negative deviation from what is expected.' (ISO 31000)

4.2 Revenue Scotland faces a variety of risks to the achievement of its objectives, as set out in its Corporate and Business Plans. Effective risk management allows the organisation to respond to risks to maximise the likelihood of achieving its objectives and ensuring the best use of resources.

4.3 We employ a straightforward methodology for the management of risk (**Figure 1).** This reflects the principles outlined in the Orange Book, the Scottish Government Risk Management Guide and Audit Scotland's Risk Management Framework.

1. **Risk identification** is an ongoing activity to determine what risks might prevent the delivery of our objectives. Tools for identifying risk can be found here.
2. Once a risk is identified the risk is **assessed** and scored considering the *likelihood* of it occurring and, if it were to occur, the *impact* (consequence) on the organisation (para 7.1). Tools for assessing and scoring risk can be found here.
3. Based on the risk scores there are four options for **responding to risks** (para 7.2).
4. Risks are **monitored** on a regular basis to ensure that the assessment of likelihood and impacts remains correct and that planned mitigations remain appropriate.
5. **Reporting** ensures that the key risks and their owners are clearly identified and that mitigation and specified actions are appropriate and that actions are being carried out.

***Figure 1**: Revenue Scotland's Risk management process*

4.4 Revenue Scotland recognises the importance of fostering a **risk management culture** to ensure that values and behaviours are communicated and embedded at all levels to support effective risk management. Consequently, it will:

i. Review its Business Plan on an annual basis and consider associated risks.
ii. Review its Corporate Risk Register on a quarterly basis.
iii. Implement and monitor risk management arrangements across the organisation.
iv. Ensure that designated individuals are identified and receive the necessary training in connection with risk management.
v. Ensure that staff understand our approach to risk and their role in risk management.
vi. Welcome independent review of our arrangements, including internal and external audit.

5. Risk Management Structure

5.1 To ensure that Revenue Scotland has a full understanding of the risks being faced and the implications for the organisation, risks will be identified and assessed at two levels:

Corporate: Those risks that, if realised, could have a significant detrimental effect on Revenue Scotland's key business processes, objectives and activities, including reputational and financial risks.

Operational: Those risks that, if realised, could have a significant detrimental effect on the key operational objectives and activities. These include project / programme level risks.

6. Risk Registers

6.1 The **Corporate Risk Register (**RS Corporate Risk Register) records the most significant risks that have the potential to prevent Revenue Scotland as a corporate body delivering its objectives as set out in the Corporate Plan.

6.2 Where it is proportionate, programme, project and **operational risk registers** will be maintained by the appropriate team leader or the Senior Responsible Officer (SRO).

7. Risk Response and Mitigation

7.1 A risk is assessed on the combination of the consequences of an event (**impact**) and its probability (**likelihood**). Revenue Scotland use the same template and methodology found in the Scottish Government's guide detailed in pages 9-11 of that document (Scottish Government Risk Management Guide).

7.2 Based on the risk score there are four responses:

Terminate - the risk is terminated by deciding not to proceed with an activity. For example, if a particular project is very high risk and the risk cannot be mitigated the decision may be taken not to continue with the project. Alternatively, the decision may be made to carry out the activity in a different way.

Transfer - the risk is moved to another party who bears all, or shares part, of the risk. For example, this could include outsourcing an area of work to a third party or transferring risk through the use of insurance.

Treat - mitigating actions or controls are identified and implemented to reduce the risk. These controls should be monitored on a regular basis to ensure that they are effective.

Tolerate - it may not always may be necessary (or appropriate) to take action to treat risks, for example, where the cost of treating the risk is considered to outweigh the potential benefits. If the risk is shown as 'green' after mitigating actions then it can likely be tolerated.

7.3 **Risk Appetite** is an expression of how much risk Revenue Scotland is prepared to take. Those involved in risk evaluation and prioritisation should consider, discuss and express risk appetite as they see it. This in turn informs which of the above responses is adopted to manage individual risks. Further guidance on risk appetite can be found here.

7.4 Defining and establishing risk appetite is a critical step in effectively managing risk within Revenue Scotland. By clearly understanding and articulating risk appetite informed decisions can be made that align with our strategic objectives while ensuring an acceptable level of risk exposure. The following factors contribute to the determination risk appetite:

(a) Organisational Objectives: Risk appetite should be closely aligned with overall business objectives and long-term strategic goals. Risks associated with achieving these objectives must be evaluated to determine the level of risk tolerance that allows Revenue Scotland to pursue growth and innovation while safeguarding its reputation and financial stability.

(b) Stakeholder Expectations: Understanding the expectations of stakeholders, including customers, employees, and regulatory bodies, is crucial in defining risk appetite. Their risk tolerance levels and concerns must be considered to ensure that Revenue Scotland's activities remain within acceptable risk taking boundaries and meet their expectations.

(c) Industry and Regulatory Environment: The nature of Revenue Scotland's context as a public body and the regulatory landscape in which it operates plays a significant role in defining its risk appetite. Risks inherent to its context must be considered along with the need to comply with applicable laws, regulations, and standards. This evaluation helps set appropriate risk thresholds and align risk appetite with industry best practices.

(d) Risk Analysis and Risk Tolerance: Conducting a comprehensive risk analysis allows the identification, assessment and prioritisation of potential risks. Quantifying and qualitatively evaluating these risks allows the determination of risk tolerance levels for different categories of risk, enabling the definition of clear boundaries and thresholds for risk-taking activities.

7.5 The table below describes the different levels of risk appetite and the approach Revenue Scotland will take to the management of risks as a result of that appetite. These definitions are aligned with those used by the Scottish Government and the UK Government's Orange book.

RISK APPETITE	DESCRIPTIONS
VERY LOW/ AVERSE	Avoidance of risk in achievement of key objectives is paramount. Activities undertaken will only be those considered to carry little inherent risk e.g. around statutory requirements.
LOW/ MINIMALIST	Tendency to undertake activities that are considered safe in achieving objectives. There should be a low degree of inherent risk. The pursuit of opportunity is not a key driver in this area.
MEDIUM/ CAUTIOUS	Willingness to accept a degree of risk in order to achieve key delivery objectives. Particularly where the opportunity of significant gains has been identified. Inherent risk is deemed controllable to a large extent.
HIGH/OPEN	Aim to undertaken activities that have a high degree of value for money, the likelihood of success being a determining factor. These activities may potentially carry a large amount of residual risk.
VERY HIGH/ HUNGRY	There is an eagerness or requirement to be innovative and a focus on activities designed to maximise opportunity. This approach will carry with it very high residual risk in pursuit of very high reward.

***Figure 2**: Risk Appetite Descriptions*

7.6 **Risk mitigations** are the controls and actions put in place to reduce the chance of the risk occurring, or to minimise the impact of the risk should it occur. These form part of our internal control system. This incorporates policies, processes, business continuity arrangements and other aspects of Revenue Scotland's operations which when taken together:

i. Enable the organisation to respond appropriately to business risks;

ii. Help ensure effective internal and external reporting. Including the maintenance of proper records and processes that generate the flow of timely, relevant and reliable information; and

iii. Help ensure compliance with applicable laws and regulations. This includes, for example, having formal written procedures and policies applied consistently across the organisation supported by training for staff.

7.7 The risk that remains after taking account of mitigations is the 'net' or 'residual' risk. It is also good practice to define a 'target risk', informed by the organisation's risk appetite, which is the tolerable level of risk that the organisation should be aiming for.

8. Responsibilities

8.1 The Revenue Scotland Board has ultimate responsibility for the management of the organisation's risks. The Audit and Risk Committee, on behalf of the Board, provide assurance that an effective risk management framework and approach is in place. The Accountable Officer, supported by the Senior Leadership Team, is responsible for putting in place that framework and ensuring that effective risk management processes are in place across the organisation and operating appropriately. This includes ensuring mechanisms are in place for assessing, monitoring and responding to risks.

8.2 All staff have a role to play in managing risk effectively and are expected to have an understanding of the nature of risk within Revenue Scotland and of the organisation's risk appetite. Our structure and governance framework supports this by providing both internal and external assurance. More detail on roles and responsibilities can be found in **Appendix 1.**

8.3 Where Revenue Scotland has delegated functions to other bodies, the risks associated with carrying out those functions will lie with the delegated body except where alternative arrangements have been agreed.

9. Risk Escalation

9.1 This framework is designed to provide effective support and challenge in managing risks. Escalating a risk to the next level does not remove responsibility for managing the risk but ensures its effective communication, increasing awareness and highlights where more supportive action might be needed.

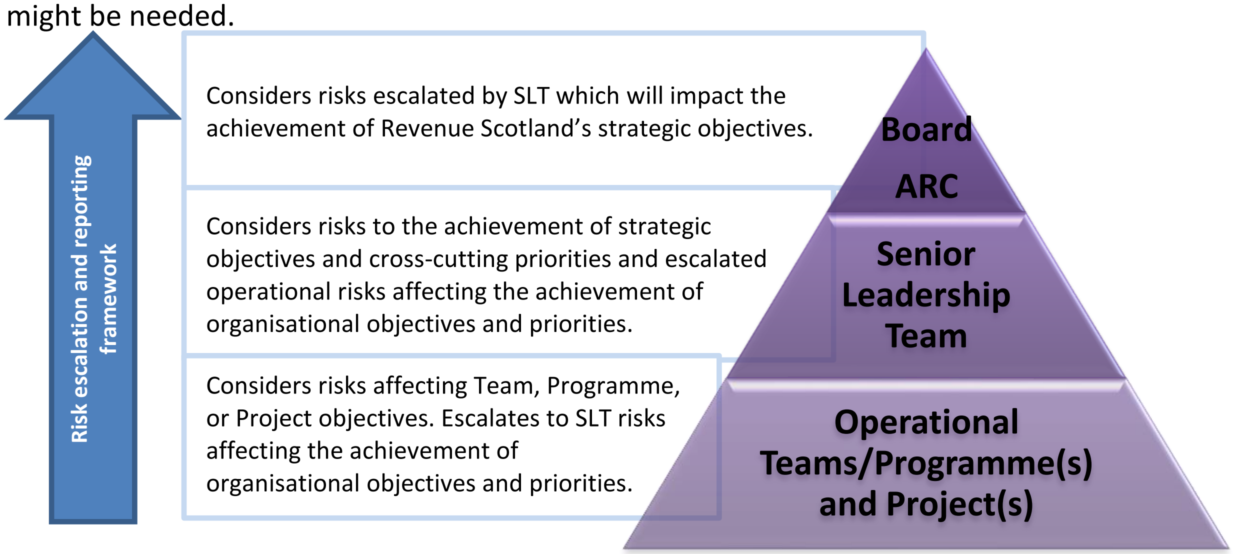

***Figure 3**: Risk Escalation*

9.2 To highlight risks appropriate for more senior awareness or action there is a structure in place for upward reporting, depending on the level of risk (**Figure 2**). When considering whether to escalate a risk, consider appropriate 'risk tolerances' that may be in place.

Risk tolerance is based on risk appetite and its assessment is not an exact science.

9.3 Escalation should be based on the judgement of the nature and scale of the specific risk e.g. the risk of a key member of a project leaving may be very high but not of sufficient scope to require escalation. When considering escalation the following questions should be considered:

SCALE – Will it significantly damage objectives?
SCOPE - Does it cut across several areas of work?
RESOURCES - Can it be described as exceptional?

9.4 Escalation should not be decided by risk scoring alone, but through detailed discussion to enable effective action. Escalating a risk to this level can ensure increased visibility and enable more senior support and challenge ensuring a comprehensive perspective on the risk and facilitating more connections that can support delivery.

10. Review

10.1 This document is subject to review at least every three years.

Appendix 1 : Responsibilities

	Responsibilities	Frequency
Revenue Scotland Board	• Ultimate responsibility for the management of risk and for setting the 'tone from the top' throughout the organisation. • Considering reports on the operation of risk management arrangements from the Audit and Risk Committee, the Accountable Officer and through consideration of the annual assurances for the completion of the annual report and accounts.	• Ongoing • As required – at least annually
Audit and Risk Committee	• Approving the overall risk management arrangements including the appetite for risk. • Scrutinising Revenue Scotland's Risk Management Framework. • Reviewing the strategic processes for risk, control and governance (including the Accountable Officer's Governance Statement). • Monitoring the effectiveness of risk management arrangements. • Reviewing Revenue Scotland's Corporate risk register.	• Annually • At least every three years • Annually • Ongoing • Quarterly
Accountable Officer	• The Accountable Officer, supported by SLT, is responsible on behalf of the Board for ensuring that effective risk management processes are in place across the organisation and operating appropriately. • They also have specific personal responsibility for signing the Annual Report and Accounts including the Accountable Officer's Governance Statement.	• Ongoing • Annually
Revenue Scotland Senior Leadership Team	• Responsible for ensuring that the approach to risk management within the organisation is proportionate, fit-for-purpose and operating effectively across Revenue Scotland. • Owners of the Corporate Risk Register and responsible for ensuring its completeness and accuracy, reviewing and challenging 'red' (high) risks. • Ensuring that there is ownership for all significant risks	• On-going • Quarterly • Ongoing as required

	by a member of The Senior Leadership Team or Leadership Group. • Approving and recommending to Audit and Risk Committee draft risk policies and strategies.	• Ongoing as required in line with review schedules
Risk owners (Senior staff nominated by SLT to own individual risks)	• Supporting Revenue Scotland’s risk management framework and undertaking relevant training. • Maintaining all aspects of risk assigned to them including the actions needed to mitigate risk and maintaining an action plan. • Obtaining senior management support where necessary (e.g. deciding on target risk). • Liaising with colleagues to ensure that risk registers are kept up to date.	• Ongoing • Ongoing • As required • At least monthly
Risk and Assurance Manager and the Governance Team	• Supporting and aiding staff in their risk reporting. • Providing guidance to staff on risk matters. • Collating and producing summary reports to the senior leadership team, audit and risk committee and the Board. • Participate in change control processes and reviews.	• Ongoing • As required • Quarterly • As required
Revenue Scotland Staff	• Following Revenue Scotland’s Risk Management Framework. • Good understanding of risk, the role of risk owners and the part they personally play in delivering Revenue Scotland's risk management framework. • Being risk aware and reporting potential risks to line management for consideration. • Undertake regular risk management training.	• Ongoing • Ongoing • Ongoing • Annually