

Risk Appetite Statement

FCG- RM-CP-003

Version: 1.6.1 - Approved

Version control

Version	Name	Date	Comment
0.1 DRAFT	F&CG Unit	September 2018	To ARC for review
1.1.1	F&CG Unit	November 2018	Amended following comments by ARC and re presented to ARC 11.12.18
1.2	F&CG unit	December 2018	Amendments following informal ARC 11.12.18
1.3	F&CG unit	January 2019	Further amendments from consultation in F&CG & Board Development day 25.1.19
1.4	F&CG	February 2019	Revisions noted by ARC
1.5	F&CG	August 2019	Revision update
1.6 & 1.6.1	F&CG	June 2020	Revision update for approval at ARAC 24.7.20
1.6.1	F&CG	24.7.20	Approved by ARAC

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1. Vision and Strategic Objectives

- 1.1 The vision of the NHS Counter Fraud Authority is for an NHS which can protect its valuable resources from fraud. To lead the NHS in protecting its resources by using intelligence to understand the nature of fraud risks, investigate serious and complex fraud, reduce its impact and drive improvements. This will be done by:
- delivering the Department of Health and Social Care Unit's strategy, vision and strategic plan and leading the counter fraud activity in the NHS in England
 - being the single expert intelligence led organisation providing a centralised investigative capacity for complex economic crime matters in the NHS
 - lead, guide and influence the improvement of standards in counter fraud work; and
 - take the lead and encourage fraud reporting across the NHS and wider health group

2. Introduction

- 2.1 The Department of Health and Social Care Anti-Fraud Unit (DHSC-AFU) sets the overarching counter fraud policy and strategy across the whole of the health group in England. The NHSCFA will be accountable to its Board, which in turn will be accountable to the DHSC-AFU for the delivery of its strategy.
- 2.2 Risk management is an essential component of NHSCFA governance framework and supports the achievement of the organisation's strategic themes and objectives. Effective risk management increases the probability of successful outcomes, whilst protecting the reputation and sustainability of the organisation.
- 2.3 The NHSCFA's Organisational Strategy sets out the current plan to tackle fraud and corruption in the NHS and the wider health group. Such overriding themes and objectives demand a risk appetite that embraces the taking and effective management of its inherent risks.
- 2.4 The NHSCFA takes its responsibilities to its stakeholders seriously and regards risk management as both a tool of good management and an important factor in ensuring that the organisation meets its obligations to key stakeholders.
- 2.5 The NHSCFA's Risk Management Policy provides the structural framework to effectively manage its risks. The policy looks to maximise opportunities and minimise adverse risks in the organisation's pursuit of achieving its strategic plan. The probability and impact matrix used to calculate risk scores is included at **Appendix A**.

2.6 The NHSCFA Risk Appetite Statement considers the significant strategic corporate risks to which NHSCFA is exposed and the appetite NHSCFA has based on behaviours and decision making.

3. Overall Risk Appetite

3.1 The NHSCFA's Board, management and staff will have regard to the organisation's risk appetite in both strategic and operational decision making.

3.2 The NHSCFA's strategic vision and objectives set out above will impact the way in which the organisation accepts those risks in respect of those specific areas, commensurate with the potential reward. Whilst overall the NHSCFA has a 'minimalistic - cautious' appetite for risk, it is acknowledged that there may be occasions where it will undertake specific activities within its identified strategic corporate risk areas, where the appetite may be higher or lower.

3.4 **Appendix B** is a chart based on the HM Treasury's practitioner's guide¹ on managing risk appetite, which has been adapted to provide a charted reference of NHSCFA's risk appetite (adverse, minimalist, cautious, open, hungry) for each of its identified risk aspects.

3.5 The key challenges in achieving an appropriate balance is to ensure:

- ethical and effective governance practices including responsible management and oversight of resources
- realisation of opportunities and permitting innovation, while avoiding unnecessary bureaucracy; and
- avoidance of a risk adverse corporate culture which stifles innovation rather than supports it through the correct assessment and management of risks.

4. Risk Framework

4.1 Good risk management practice indicates that organisations should specify their appetite for risk at a granular level, related to the nature of the organisation's activities. This Risk Appetite Statement specifies the amount of risk the organisation is willing to seek or accept in the pursuit of its strategic objectives.

4.2 In terms of priorities, the need to avoid risk related to compliance and the overall health and safety for its staff, will take priority over other factors. It will for example, be acceptable for NHSCFA to acquire and undertake research of bulk data sets

¹ 'Thinking about Risk - Managing your risk appetite: A practitioner's guide'

providing it does not expose the organisation or individuals to undue compliance risks. This permits the organisation to undertake its functions which will be integral to its success in achieving its strategic objectives.

- 4.3 Therefore a balanced assessment is taken of risks, as in many cases there are risks attached to both doing something and doing nothing. The 'do nothing' option may often impose greater risk.
- 4.4 Risks are managed in accordance with the organisation's Risk Management Policy. Non-Corporate risks are reviewed monthly by the Leadership Team (LT) and escalated to the Senior Management Team (SMT) where it is considered the risk should potentially be recategorised as corporate. Corporate risks are reviewed by Risk Register Review Group and recommendations are taken forward/actioned by the SMT.
- 4.5 Responsibility for reviewing and approving the NHSCFA's Risk Appetite Statement lies with the Board via the Audit, Risk & Assurance Committee.

5. Risk Approach

- 5.1 The NHSCFA's approach is to minimise its exposure to risks relating to its regulatory and legal compliance, whilst accepting and encouraging an increased degree of risk in pursuit of its strategic objectives. There can be a danger when focusing on negative risks that the organisation will sometimes forego opportunities. Where positive risks occur, these will be managed as an opportunity with actions most likely to bring about a successful outcome prioritised.
- 5.2 The organisation recognises that its appetite for risk varies according to the activity. Also, that the acceptance of risk is always subject to ensuring that the potential benefits and risks are fully understood before projects and programme developments are authorised, and that sensible measures to mitigate risks are established when required. An overview of risk appetite against risk areas, taking into account the identified strategic corporate risks listed below are shown at **Appendix B**.

The NHSCFA has identified the following strategic corporate risk areas:

Insufficient Funding to deliver objectives

There is a risk to the organisation of being unable to deliver against the strategic objectives due to an increasing financial gap, changes in the fraud landscape and centrally driven directives or those associated with political changes to priorities and

policy direction. A lack of funding could potentially result in the ineffective use of organisational resources.

Suboptimal Business Infrastructure

There is a risk the organisation does not have the optimal business structure in place to allow timely and appropriate reaction to a changing fraud landscape. As a result, there is a consequential risk of a lack of service responsiveness and failure to ensure the best use of its resources, impacting on the organisation's delivery capability.

Ineffective Engagement

There is a risk the organisation does not have the most appropriate engagement models in place both strategically and tactically, to help maximise the impact of relationships with key influencers, including the local counter fraud community in the detection, prevention and investigation of fraud in the NHS.

Cyber Security threats

There is a risk of failing to maintain a sufficient level of cyber threat resilience (technology, processes and awareness) throughout the organisation, that could result in the theft or loss of personal or confidential data, a distributed denial of service attack, or an inability to access key information systems by staff or the organisation's stakeholders; potentially leading to financial penalties, reputational damage and loss of public and stakeholder confidence.

Project & Programme Management

There is a risk that strategic and unit objectives will not be achieved due to ineffective project and programme management.

Working Arrangement in light of COVID-19 Pandemic

There is a real risk that the ongoing impact of the pandemic could result in the organisation failing to deliver on its strategic, tactical or operational objectives.

6. Implementation & review of NHSCFA's Risk Appetite Responsibility

- 6.1 The Board is responsible for providing strategic leadership for the organisation, ensuring that it is able to account to parliament and the public on how the functions of NHSCFA are delivered.
- 6.2 The NHSCFA SMT is responsible for setting and overseeing the delivery of the organisation's strategic aims and business priorities; while establishing and maintaining the delivery of governance which includes an effective risk management process and compliance with this Risk Appetite Statement.
- 6.3 Risks entered onto the risk register take into account risks from within the organisation and external sources and are reviewed regularly. The register is also updated when there are key changes in policies, structures, functions or operating landscape.

The SMT are responsible for risk register entries relating to strategic corporate risks faced by the organisation and the control frameworks in place to mitigate these.

Unit Business Leads are responsible for risk register entries relating to risks faced by business units in day-to-day operations and the control frameworks in place to mitigate these.

Both the SMT and Unit Business Leads are responsible for maintaining the risk register entries in a manner which is consistent with this 'Statement', allowing for the escalation of risks outside the stated appetite or agreed tolerance levels for specific activities.

6.4 Confirmation review & Communication

This Risk Appetite Statement has been reviewed and approved by the Board and the Audit, Risk & Assurance Committee.

Reviews take place no less than annually.

The NHSCFA's Risk Appetite Statement is published on its website and the staff internal intranet.

Appendix A

Probability x Impact matrix

		Impact				
		1	2	3	4	5
Probability	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5

Appendix B

Appetite	1 ADVERSE	2 MINIMALIST	3 CAUTIOUS	4 OPEN	5 HUNGRY
	Avoidance of risk and uncertainty is a key Organisational objective	Preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward	Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward	Willing to consider all potential options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward and value for money	Eager to be innovative and to choose options offering potentially higher business reward (despite greater inherent risk)
Risk Aspect	Examples of behaviours when taking decisions against the risk aspects (see Paragraph 3.2)				
Reputation and credibility	Minimal tolerance for any decisions that could lead to scrutiny of the Government/Department.	Tolerance for risk taking limited to those events where there is no chance of any significant repercussions for the Government/Department.	NHSCFA has tolerance for risk taking limited to those events where there is little chance of any significant repercussions for the Government/Department should there be a failure.	Appetite to take decisions with potential to expose the Government/Department to additional scrutiny but only where appropriate steps have been taken to minimise any exposure	Appetite to take decisions that are likely to bring scrutiny of the Government/Department but where potential benefits outweigh the risks.
Operational and policy delivery	<p>Defensive approach to objectives (aim to maintain or protect rather than create or innovate.</p> <p>Priority for tight management controls and oversight with limited devolved decision making authority</p> <p>General avoidance of systems/technology development.</p>	<p>Innovations always avoided unless essential</p> <p>Decision making authority held by senior management.</p> <p>Only essential systems/technology developments to protect current operations.</p>	<p>NHSCFA has a tendency to stick to the status quo, innovations generally avoided unless necessary.</p> <p>Key decision making authority is generally held by senior management</p> <p>Systems/technology developments are limited to improvements</p>	<p>Innovation supported, with demonstration of commensurate improvements in management control</p> <p>System/technology developments considered to enable operational delivery</p> <p>Responsibility for non-critical decisions may be devolved.</p>	<p>Innovation pursued – desire to ‘break the mould’ and challenge current working practices.</p> <p>New technology viewed as a key enabler of operational delivery</p> <p>High levels of devolved authority management by trust rather than tight control.</p>

			to protect current operations.		
Financial/Value for money (Vfm)	<p>Avoidance of financial loss is a key objective.</p> <p>Only willing to accept the low cost option.</p> <p>Resources withdrawn from non-essential activities.</p>	<p>NHSCFA is only prepared to accept the possibility of very limited financial loss if essential.</p> <p>Vfm is the primary concern.</p>	<p>Prepared to accept the possibility of some limited financial loss.</p> <p>Vfm still the primary concern but willing to also consider the benefits.</p> <p>Resources generally restricted to core operational targets</p>	<p>Prepared to invest for reward and minimise the possibility of financial loss by managing the risk to a tolerable level.</p> <p>Value and benefits considered (not just cheapest price)</p> <p>Resources allocated in order to capitalise on potential opportunities.</p>	<p>Prepared to invest for the best possible reward and accept the possibility of financial loss (although controls may be in place).</p> <p>Resources allocated without firm guarantee of return – investment capital type approach.</p>
Compliance - legal/regulatory	<p>Avoid anything which could be challenged even unsuccessfully.</p> <p>Play safe.</p>	<p>NHSCFA want to be very sure we would win any challenge.</p>	<p>Limited tolerance for sticking your neck out what to be reasonably sure would win any challenge.</p>	<p>Challenges will be problematic but we are likely to win them and the gain will outweigh the adverse consequences.</p>	<p>Chances of losing are high and consequences serious; but a win would be seen as a great coup.</p>