



**AGRI-FOOD
& BIOSCIENCES
INSTITUTE**

Risk Management
Strategy

May 2024, version 1.4

afbi



RISK MANAGEMENT STRATEGY

This risk management strategy describes the processes that AFBI has put in place to manage risk and ensure that a consistent approach is applied across the organisation

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Version Control

Version	Date of issue	Reason for issue
Version 1.0	05 NOV 2015	To replace previous AFBI RM Strategy with revised Strategy incorporating Operational Procedures
Version 1.1	02 FEB 2017	Annual Review of RM Strategy and Risk Appetite
Version 1.2	10 APR 2018	Annual Review of RM Strategy and Risk Appetite
Version 1.3	14 MAR 2019	To include procedures for project level risk management
Version 1.4	31 May 2024	Scheduled Review and update against current best practice. Approved by Board on 2 July 2024.

1 Foreword

- 1.1 AFBI like every organisation must take risks in order to achieve its objectives. Risk management enhances strategic planning and prioritisation, assists in achieving objectives and strengthens the ability to be agile to respond to the challenges faced.
- 1.2 Risk management must be an essential and integral part of planning and decision-making to ensure objectives are met successfully, for improving service delivery and achieving value for money. We all manage risk – often without realising it – every day. We live in an ever changing world and the pace of change is increasing.
- 1.3 Being risk aware means approaching this change proactively to manage down the threats we face and maximising the most of the opportunities it presents. How we manage those risks has never been more important in helping us meet our objectives, improve service delivery, achieve value for money and reduce the impact of unwelcome surprises.
- 1.4 That is why it is essential we understand and manage our risks well across AFBI, whether they come from external events or from our own activities. We need an approach that makes sure we discuss the right risks at the right time, with the right people involved.

AFBI will seek to ensure a supportive environment

- 1.5 The AFBI Board is committed to putting risk management at the heart of our decision making. It will lead a positive risk culture which embraces openness, supports transparency, welcomes constructive challenge and promotes collaboration, consultation and co-operation. We will invite scrutiny and embrace expertise to inform decision-making and work towards investing in the necessary capabilities and seek to continually learn from experience. Everyone from the Board down has a part to play in establishing and maintaining that risk culture.
- 1.6 The issues which we deal with in AFBI can be complex but the more complex we build things the more we ratchet up the overall level of risk so we all need to keep this in mind going forward. Whilst we need established guidelines and criteria that allow us to formalise the way in which we record, manage, mitigate and report on our risks, our aim is for these processes to enable not drive our work.
- 1.7 We want good risk conversations to be a natural part of how we manage our business. Each of us commits to using risk-based decision making in our everyday work, and to support those we work with to do the same. We know that great risk management practice already exists within AFBI. This strategy is part of helping to embed it and spread it further.

2 Introduction & Purpose

- 2.1 AFBI's success is measured by the achievement of our objectives. These objectives are underpinned by our purpose which is "**To deliver trusted, independent research, statutory & surveillance science, and expert advice that addresses local and global challenges, informs government policy and industry decision making, and underpins a sustainable agri-food industry and the natural and marine environments**
- 2.2 AFBI must take risks if we are to achieve our priorities.

Figure 1. AFBI's vision, purpose, and strategic priorities for the period 2023-26



- 2.3 This strategy defines AFBI's approach to risk management. We have ensured that our approach to risk management reflects the most recent edition of HM Treasury's Orange Book Management of Risk – Principles and Concepts which is available at <https://www.gov.uk/government/publications/orange-book>.
- 2.4 It is part of the AFBI's risk management framework (see Annex A) and sets out an approach that aims to make sure we:
- put managing our risks at the heart of how we manage our business;
 - take effective, risk-based decisions based on high quality data and information; and
 - take a more consistent approach to risk management throughout AFBI.
- 2.5 We will do this by:
- ensuring risk management is an essential part of governance and leadership;
 - ensuring all managers have a good understanding and awareness of risk management;
 - equipping our people with the tools, skills and time needed to fulfil risk management responsibilities;
 - encouraging and supporting staff to consider risk in their day to day activities;
 - adopting 'Clean Sheet Thinking' to risk on a regular basis;
 - ensuring risks are regularly reviewed and considered; and
 - ensuring key risks are visible, owned at the right level and actively addressed.
- 2.6 This strategy is supported by guidance on consistent AFBI-wide risk management processes, and tools for implementing them, which can be accessed by staff via the internal link [Risk Management Guidance](#)
- 2.7 The strategy also defines the key roles and responsibilities in managing risk within AFBI, the working processes that are to be used as well as AFBI's approach to defining risk appetite and how risk appetite is to be used in the management of risk.

3 Risk Management in AFBI

What is risk management?

- 3.1 Risk management is about identifying events that could happen, deciding what activity is required to influence the chance of them happening, and then managing that activity. It includes all the processes involved in identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and reviewing progress.
- 3.2 A risk is an event (which can be an opportunity or threat) that has not yet happened but that, if it did, would have an effect (positive or negative) on the achievement of our objectives.
- 3.3 Risks can be thought of as arising in two ways:
- direct **threats** (damaging events) which could lead to failure to achieve priorities: and
 - **opportunities** (constructive events), which, if exploited, could offer an improved way of achieving priorities but which are surrounded by threats.
- 3.4 Our approach to risk management is underpinned by the following principles:
- risk management is everyone's responsibility;
 - risks will be systematically identified and assessed, and clearly articulated;
 - risks will be managed at the appropriate level, with a named owner; and
 - we will keep our processes as simple as is consistent with the needs of the organisation.
- 3.5 These principles support the **5 main principles of risk management**:



3.6 HM Treasury’s Orange Book Management of Risk contains a section of questions which may provide assistance in assessing how the risk management principles are applied to support the efficient and effective operation of a risk management framework.

AFBI Risk Management Framework

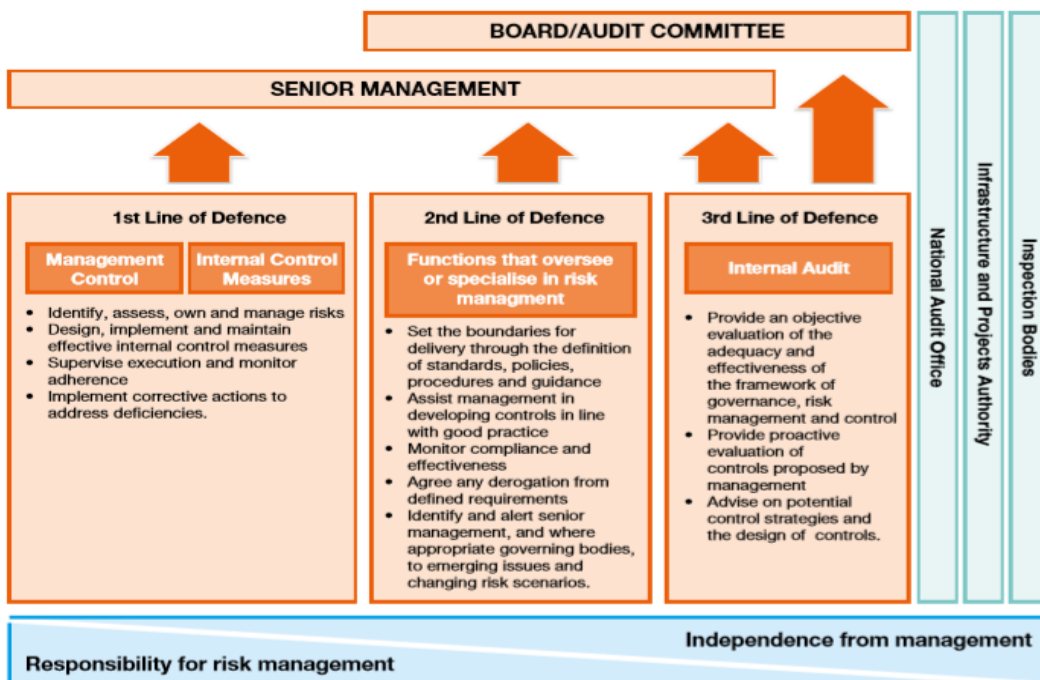
3.7 The risk management framework supports the consistent and robust identification and management of opportunities and risks within desired levels across the Department supporting openness, challenge, innovation and excellence in the achievement of priorities.



3.8 Our risk management framework draws on the “three lines of defence” model recommended by HM Treasury and widely used across government.

The Three Lines of Defence

3.9 The “three lines of defence” model, as prescribed by the HM Treasury Orange Book sets out how these aspects should operate in an integrated way to manage risks, design and implement internal control and provide assurance through ongoing, regular, periodic and ad-hoc monitoring and review.



- 3.10 **The first line of defence** is effective direct management of risks by people who are clear on their role, and who are supported to achieve their objectives, and to identify and manage their risks and issues.
- 3.11 **The second line of defence** is arrangements to set policies and standards, and to provide corporate oversight of, and support for, direct management. It ensures the first line is operating as it should.
- 3.12 **The third line of defence** brings in independent challenge and assurance from people outside the executive decision making structures - including internal audit and non-executives - to ensure the whole system is functioning effectively.

Roles and Responsibilities

- 3.13 **Annex B** sets out the roles and responsibilities of particular individuals, teams and governance bodies in relation to risk management and oversight. When we say risk is everyone's responsibility, we mean that all staff should:
- understand and take responsibility for managing the risks related to their role and activities, reporting on progress, and escalating as necessary;
 - report new or emerging risks promptly to their manager or local risk lead in the first instance, and highlight any areas where risks are not effectively managed; and
 - take responsibility for undertaking any training they need and helping to improve risk management across AFBI.
- 3.14 Every Division within the AFBI is responsible for having in place a clear system for managing their risks that is consistent with this strategy. To help, this strategy is supported by guidance on consistent AFBI wide risk management processes, and tools for implementing them.

Escalating Risks

- 3.15 Although risks are best managed at the lowest appropriate level, there will be times when a risk needs to be escalated further up the management chain. At the top level, the most significant risks - particularly those that require a cross-divisional response will be escalated from Divisions to the Corporate Risk Register, as necessary.

4 Risk Appetite

- 4.1 Risk is unavoidable and as such AFBI must take action to manage risk in a way which it can justify to a level which is tolerable. The amount of risk which is judged to be tolerable and justifiable is defined by “risk appetite”.
- 4.2 Within AFBI, the Board is responsible for agreeing and setting the organisations appetite for risk. The concept of risk appetite may be looked at in different ways depending on whether the risk (the uncertainty) being considered is a threat or an opportunity.
- 4.3 When considering threats the concept of risk appetite embraces the level of exposure which is considered tolerable and justifiable should the risk be realised. In this sense it is about comparing the cost (financial or otherwise) of constraining the risk with the cost of the exposure should the risk become a reality and finding an acceptable balance;
- 4.4 When considering opportunities or positive risks the concept embraces consideration of how much one is prepared to actively put at risk in order to obtain the benefits of the opportunity. In this sense it is about comparing the value (financial or otherwise) of potential benefits with the losses which might be incurred (some losses may be incurred with or without realising the benefits).
- 4.5 The significance of a risk will be an important factor in determining risk appetite. The appetite will also be influenced by the nature of the risk. In the HM Treasury publication on “Managing your Risk Appetite”, five levels of appetite are defined:

Risk Appetite Classifications

Classification	Description
Averse	Avoidance of risk and uncertainty is a key Organisational objective.
Minimalist	Preference for ultra-safe business delivery options that have a low degree of inherent risk and only have limited potential for reward.
Cautious	Preference for safe delivery options that have a low degree of residual risk and may have only limited potential for reward.
Open	Willing to consider all potential delivery 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 etc).
Eager	Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk.

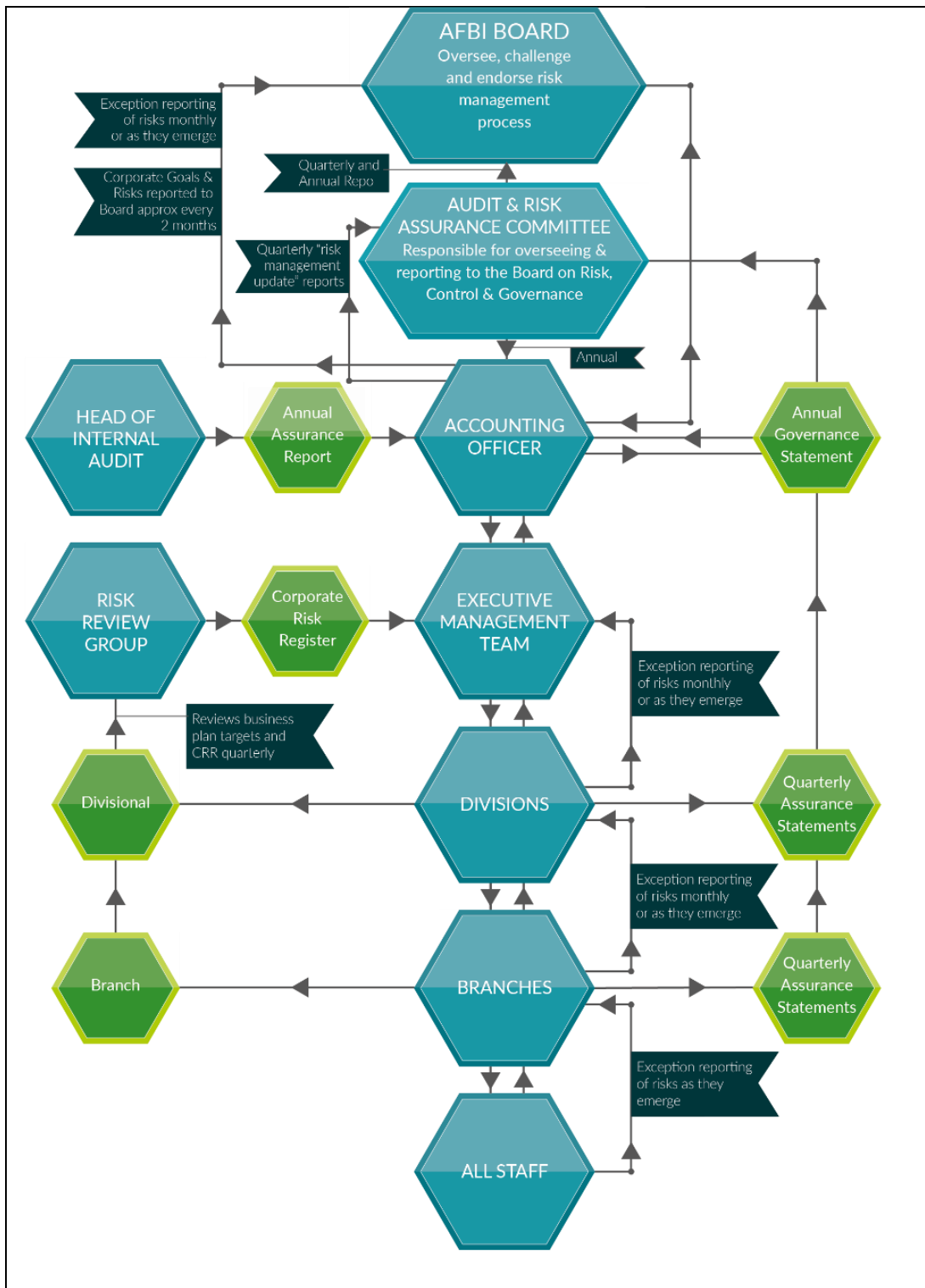
In defining AFBI's risk appetite, these same categories are adopted, these have however been adapted where appropriate to emphasise key elements of AFBI's corporate strategy.

The classifications of risk appetite given above can be used to provide qualitative guidance on risk appetite. It must be stressed however that these are generalised appetite levels given for broad guidance only and specific risks in any of the categories may warrant lower or higher tolerance. It is also important to note that business risks do not always fall neatly into single categories.

In setting target levels of risk, AFBI will consider the levels of risk appetite for the 4 key risk categories as shown in **Annex B**. These levels of risk appetite will be set and agreed by the AFBI Board and reviewed regularly.

5 Risk Oversight

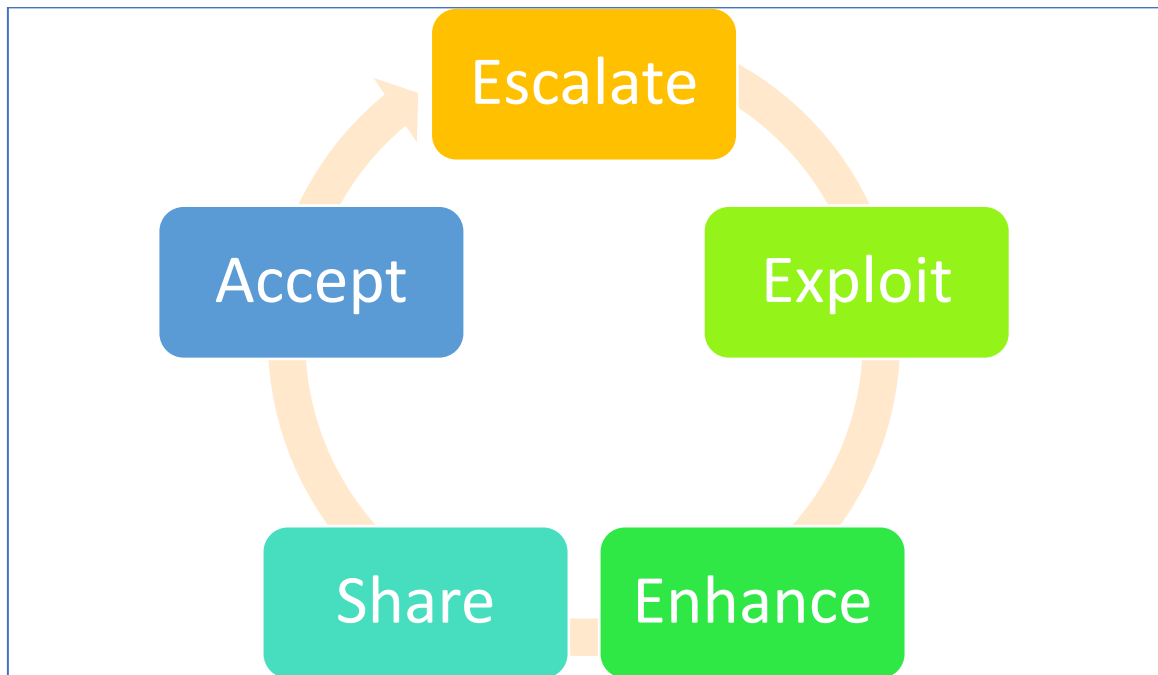
- 5.1 Appropriate and effective review and reporting arrangements will enable and support our risk management activities. This will allow up-to-date and accurate performance information to be passed to risk owners and senior managers along with information on other performance measures.
- 5.2 As well as managing our risk well, it is important that we set policies and standards for risk management, and give corporate oversight and support to those who are managing risks directly.
- 5.3 We do this through our corporate governance arrangements. AFBI operates in compliance with the guidance set out in the "Corporate Governance in Central Government Departments: Code of Good Practice (NI) 2013". We do this through our corporate governance arrangements, as set out in the figure 1 overleaf.
- 5.4 **Annex C** explains the responsibilities of the individuals and bodies in the diagram in relation to oversight of risk.



6 Positive Risks

- 6.1 A positive risk measures the extent to which the outcome of an action taken by AFBI might go up beyond expected levels. It's when you stand to get an outcome better than the benchmark against which it's being measured. Positive risks can be considered to be any condition, event, occurrence or situation that provides a possible positive impact.
- 6.2 As counterintuitive as it sounds, when discussing any type of risk, the response strategy when encountering a positive risk, is to work to increase the likelihood for this event to occur. The very word "risk" may throw off many, with its generally negative connotations, but positive risk is good for the organisation.
- 6.3 It is just as important to concentrate on the positive aspects of risk. Once you have all the negative consequences of risk accounted for and managed, it is time to explore positive risk.
- 6.4 As an organisation we should always be open to and also try to enhance positive risks as they will provide valuable consequences for the organisation as a whole. Examples of positive risks we may encounter as an Organisation could include the following:
- **Positive Risk in Programme Management** - Every programme owner develops a budget for their respective project and its resource needs. However, there are often adjustments throughout the course of programme. Where a programme is projected to come in under budget, due to robust budget management, this can be seen as an upside as it allows to reallocation of funds to other priorities to increase effectiveness within our finite resource;
 - **Positive Risk in Technology** - we are increasingly searching for new ways to incorporate technology for greater efficiency. This can present a risk that job roles will change as technology does more for us, but provides the upside that redeployment of resources can make AFBI more effective and efficient in discharging its responsibilities; or
- 6.5 When a positive risk is noted, the following 5 point strategy should be implemented to ensure AFBI makes the most of the opportunity it is presented with. Once identified Positive risks should be managed effectively to correctly bring maximum benefit to AFBI and should be escalated to the appropriate level of the organisation.

Figure – Strategy for Managing Positive Risks



7 Risk Reporting

- 7.1 As part of AFBI's internal controls, we need to report regularly on our risks. Good reporting enables effective management oversight, and effective coordinated mitigation of risks. risk monitoring and review allows management and the Board to gain assurance that risk management is effective and identify when further action is necessary.
- 7.2 As part of AFBI's oversight of risk, all corporate level risks are kept under review by the Risk Review Group (RRG), which includes the Executive Management Team (EMT) and also report to the Audit and Risk Assurance Committee (ARAC) and the AFBI Board.
- 7.3 A register is maintained of all risks which have been escalated to this level. This group meets on a quarterly basis and will request any risks which business areas feel should be escalated to a corporate level. Risk Management is also a standing item on the agenda for all Board, ARAC, EMT and Divisional Meetings. Membership of the Risk Review Group shall comprise AFBI's Executive Management Team, Divisional Business Managers and Risk Owners.
- 7.4 ARAC will regularly review AFBI risk reports, with a particular focus on the comprehensiveness and reliability of assurances on our risk management. The AFBI Board will also continue to review risk regularly.

Risk Monitoring at Divisional Level

- 7.5 At a Divisional level the Divisional Management Teams will meet to review the Divisional Risk Registers (DRR) on at least a quarterly basis. Risks from divisions that are considered to impact on the achievement of Strategic outcomes should also be reported by Division Heads and considered for inclusion on the corporate risk register. Once reviewed the Divisional Risk Registers should be forwarded to the Head of Governance and Performance to ensure effective oversight of the process.
- 7.6 Again, to ensure consistency and to join up key governance processes a copy of the Director's quarterly Assurance Statement will be forwarded to the Head of Governance and Performance.

Risk Monitoring at Branch/Operational Level

- 7.7 At a Branch level, Branch Management teams must consider risk on a quarterly basis. Branch Heads will report any new or emerging risks from their areas that are considered as having a potentially significant impact upon the achievement of AFBI's Divisional or Corporate Objectives.

Accountability

- 7.8 All AFBI staff will be alerted to the existence and purpose of this strategy and guidance. The strategy will be included within the induction programme for all new staff and it will be made available via the AFBI Intranet. Changes to the strategy will be brought to the attention of all staff.
- 7.9 All staff have a duty to report new and emerging risks to line management, who in turn have a responsibility to consider these risks and escalate where risks are significant, have a corporate impact or have a cross cutting nature. Where risks are serious, these should be escalated to the senior management team promptly for consideration.
- 7.10 Managing risk to the achievement of AFBI objectives is intrinsically linked to the business planning and performance management process. Risk management responsibilities should therefore be embedded within individual Personal Performance Agreements. Where training is required, this should be reflected within individual Personal Development Plans and if formal training is required this should be requested via AFBI's Learning and Development Unit.
- 7.11 Risk management is an important part of AFBI's system of internal controls. Appendix E outlines the framework for providing assurances to the Accounting Officer and Board in regard to the appropriateness of AFBI's risk management processes.

Monitoring and Review

- 7.12 AFBI's Risk Appetite will be reviewed and agreed on an annual basis by the AFBI Board.
- 7.13 This strategy and procedure will be reviewed on an annual basis by the Executive. Any changes will be brought to the attention of the AFBI Audit Committee and the AFBI Board.

Annex A – Risk Management Framework

Item	What it is for
Strategy	Sets out the way we will manage risk in AFBI.
Guidance	Explains how to identify, assess, address, review and report risk.
Common language	A shared way of talking about risk, including common definitions.
Risk categories	These help us define different types of risk and to group risks together to develop more effective mitigations. We use the following risk categories: people; strategic; operational; technology /infrastructure; financial and external.
Assessment criteria	These enable us to decide, in a consistent way across AFBI and across different types of risk, how to score the level of impact a risk would have on our objectives if it materialised, from very low to very high.
Risk severity matrix	This enables us to score, in a consistent way across AFBI, the severity of a risk. Scores are calculated based on the likelihood of an event occurring and the level of impact it would have on business objectives. We use a RAG (red, amber, green) rating system to describe severity.

Annex B – AFBI Risk Appetite

Risk Category	Risk Appetite Classification	Comment	Risk Category	Risk Appetite Classification	Comment
Reputation and credibility – scientific	1 Averse	The avoidance of risk to our scientific reputation is crucial.	Reputation and credibility - general	2 Minimalist	AFBI's ability to secure work from public bodies and commercial customers is based upon having a sound reputation - Tolerance for risk taking is therefore limited to those events where there is no chance of any significant impediment to the achievement of this objective.
Operational and policy delivery - general	4 Open	AFBI is an innovative organisation facing a period of significant change. It will be necessary to consider all potential delivery options and choose the one that is most likely to result in successful delivery while providing an acceptable level of reward.	Operational and policy delivery emergency response and statutory testing	2 Minimalist	AFBI recognises its responsibility to maintain the highest standards of statutory testing and an emergency response capability as agreed with DAERA and other public bodies.

Risk Category	Risk Appetite Classification	Comment
Financial/ VFM general	3 Cautious	AFBI will be appropriately cautious in the management of public money.

Risk Category	Risk Appetite Classification	Comment
Compliance Legal/ regulatory	2 Minimalist	AFBI will seek at all times to act within the relevant legal and regulatory constraints. (In the management of Health and Safety the risk appetite will be 1 (averse) and the conformance standard applied will be “as far as is reasonably practicable”.)

Annex C – Roles and Responsibilities

In order to ensure that AFBI's Risk Management activities are consistent and effective, and are reported efficiently, a structured framework is required. The main roles and responsibilities in regard to risk management within AFBI are summarised as follows:

Who	What	When
AFBI Staff	<ul style="list-style-type: none"> Implement risk controls as required by line management and risk owners. Maintain an awareness of risk and identify new and emerging risks to line management. 	Continual
Branch Heads	<ul style="list-style-type: none"> Identifying key risks to Branch objectives including those cascaded from Divisional and Corporate Objectives and documented as part of the Branch business planning process. Maintain an awareness of risk within branches and create a culture wherein staff are encouraged to identify risks and bring these to the attention of management. Report significant risks, risks of a cross-cutting nature and corporate risks to senior management for consideration for escalation to the Divisional or Corporate Risk Registers. 	Continual
Risk Owners	<ul style="list-style-type: none"> Review and update individual risk records regularly and propose changes to how the risk is scored and controlled as appropriate. Decide whether a risk is sufficiently serious to be escalated to the next level of the organisation. Where there are significant changes in the likelihood or impact of a risk, this will be reported to senior management. 	Continual
Divisional Management Teams	<ul style="list-style-type: none"> Develop and maintain Divisional Risk Registers (DRR's) identifying key risks to Divisional objectives cascaded from Corporate Objectives. Decide whether emerging Divisional Risks should be escalated via the RRG. Review DRR's on at least a quarterly basis to ensure risks are being effectively addressed or emerging issues are identified 	Monthly
AFBI Executive Management Team	<ul style="list-style-type: none"> Implements risk management policies and procedures. Monitors the identification and management of significant risks and reports changes in risks to the Accounting Officer and Board by exception. Provides assurance to the Accounting Officer in regard to risk management processes within 	Monthly EMT and Board meetings

Who	What	When
	divisions through the Assurance Statement process	
AFBI Board	<ul style="list-style-type: none"> • Oversees and approves the risk management strategy and risk appetite • Ensures appropriate management monitoring of significant risks • Challenges risk management to ensure all risks are identified • Ensures an appropriate response if risks are realised 	Monthly Approx Quarterly Annually
Risk Review Group	<ul style="list-style-type: none"> • Consider the Risk Management Strategy and update as appropriate • Identify any new or emerging risks to meeting Strategic outcomes and consider amending risk register as appropriate • Consider and update CRR • Remove any risks that are no longer relevant 	Quarterly
Audit & Risk Assurance Committee	<ul style="list-style-type: none"> • Takes responsibility for overseeing and reporting to the Board on the adequacy of the risk management process. • Reviews risk registers to provide challenge and advice. • Provides an Annual Report to support the preparation of the Governance Statement. 	Quarterly
Internal Audit	<ul style="list-style-type: none"> • Take AFBI's corporate risks into account and plan audit strategy based on a risk based approach. • Provide independent opinion to the Accounting Officer and Audit Committee, as to the overall adequacy of AFBI's framework of governance, risk management and internal control. 	Continual