



Business Critical Projects: Risk Management Approach

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1. Definitions and references

Term	Definition
Risk	An uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives, or in project terms, those that would impact on the successful completion of a project.
Internal Control	A means of reducing risk rather than avoiding, accepting or transferring it. The whole system of Risk Management can be considered a system of internal control.
Inherent Risk	Exposure arising from a specific risk before any mitigating action or internal control has been implemented to manage it.
Residual Risks	Exposure remaining after mitigation action or internal control has been implemented to manage the inherent risk.
Strategic Risks	Those that need to be taken into account in decisions about medium to long-term key business objectives.
Operational Risks	Those that occur due to human error, system failures and/or inadequate procedure controls.
Proximity	The occurrence of the risk may be due at particular times and the severity of the impact may vary depending on when they occur.
Avoid	Mitigating action that seeks to eliminate a risk by making the situation certain, i.e. not continuing with an activity.
Transfer	A mitigating action whereby a third party takes on some of the responsibility of the risk. This may be financially (such as taking an insurance policy) or the management of responding should a risk occur. Transferring the risk will not reduce the probability of it happening.
Project	A temporary organisation that is created for the purpose of delivering one or more business products according to a specified business case.
Programme	A temporary, flexible organisation structure created to coordinate, direct and oversee the implementation of a set of related projects and activities in order to deliver outcomes and benefits related to the organisations strategic objectives.
Business Critical Project (BCP)	Projects so important that failure to successfully complete them would result in the failure of business operations which are critical to the organisations strategic objectives.
Senior Responsible Owner (SRO)	The single individual with overall responsibility for ensuring that a project or programme meets its objectives and delivers the projected benefits.
Prince2®	<u>Projects in Controlled Environments</u> . A fact process-based method for effective project management which focusses on; business justification; defined organisation structure for the project management team; product-based planning approach; driving the project into moveable and controllable stages; flexibility.

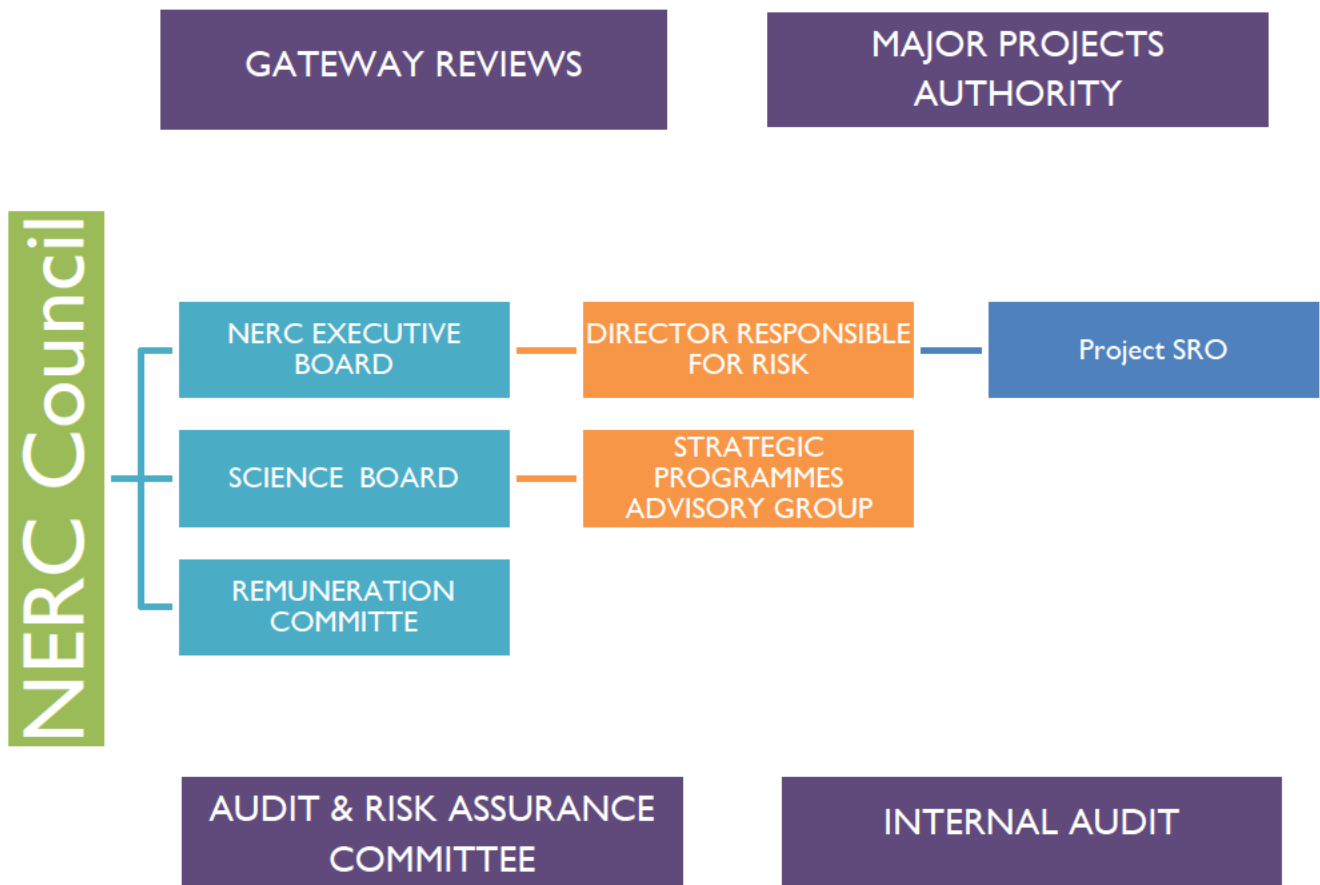
2. Strategy

This approach has been developed to help Project Managers implement the NERC Risk Management Strategy within their project or programme. This approach is not designed to cover research projects.

3. Process

This document will set out the requirements Project Managers are expected to meet in order to adhere to the core principles of the NERC Risk Management Strategy.

4. Organisation, Roles & Responsibilities



Responsibility	Roles
Council	<p>Actively consider risk in setting its scientific strategy and decision making process.</p> <p>Ensure resources are available to enable key risks to be managed effectively.</p>
NERC Executive Board (NEB)	<p>Approves Risk Management Strategy.</p> <p>Set risk appetites.</p> <p>Promotes engagement in risk management.</p> <p>Risk Owners for all key Strategic Risks that could impact on NERC's strategic objectives.</p> <p>Provide assurance to Council.</p>
Director Responsible for Risk	Delegated the task of maintaining the risk management policy, strategy & reporting on risk management to NEB.
Audit & Risk Assurance Committee (ARAC)	<p>Approves Risk Management Strategy.</p> <p>Report to Council where plans or progress of business critical projects are such that NERC's operations may be prejudiced.</p>
Directors / Management Teams	<p>Regular review of Operational risk registers.</p> <p>Escalation of risk to NEB where appropriate</p> <p>Consider Strategic risks.</p>
Audit Assurance Services Group (AASG)	<p>Impartial advice on the adequacy of internal control arrangements to manage risks.</p> <p>Use key risks to determine the focus of audit plans.</p>
Project SRO	<p>Support the Director Responsible for Risk.</p> <p>Focus attention on Risk Management within all parts of the project.</p> <p>Receive and collate risk information.</p> <p>Ensure good risk management practice.</p>
Risk Owners	Overall responsibility to ensure the risk is being appropriately managed.
Project Manager	To manage the exposure of the project to risk by driving action to improve control of uncertainty and take steps to reduce the chance of failing to achieve the objectives of the project.
Project Board	Actively engage in risk management process to ensure risk is being identified by the project team and escalated to them as required.
Gateway Reviews	Independent assurance review of major (high-risk) projects in the UK government. They are mandatory & occur at key points within the lifecycle of a project.
Major Projects Authority (MPA)	Works with HM Treasury and other government departments to provide independent assurance on major projects. It also supports colleagues across departments to build skills and improve the way we manage and deliver projects. The MPA is part of the Efficiency and Reform Group in the Cabinet Office and replaces the Major Projects Directorate in the Office of Government Commerce (OGC).

5. Business Critical Project Risk Management

Project management helps to reduce and manage risk. It puts in place an organisation where lines of accountability are short and the responsibilities of individuals are clearly defined. Its processes are clearly documented and repeatable, so that those involved in the project can learn from the experiences of others.

It is NERC policy that a formal project management methodology such as PRINCE2 is adopted for all major, non-research projects. This approach can be tailored as necessary to suit smaller or less complex projects where a disciplined approach remains equally valuable.

As a public sector body, the HM Treasury Guidance contained in the Green Book on 'Risk & Uncertainty' should be followed in conjunction with PRINCE2 methodology.

6. Requirements

Methodology

All risks must be assessed for impact and probability using the matrix in the NERC Risk Management Strategy.

All risks must be rated using the scoring method as set out in the NERC Risk Management Strategy.

All risk registers and logs must conform to the minimum standards set out in Appendix I of this document.

Reporting

The risk register should be reviewed regularly and become a standing item on the Project Board meeting agenda. It is important that the SRO & Board are actively engaged in the risk management process to ensure risks are identified by members of the project team and that emerging risks are escalated to their attention.

The project manager should regularly review the exposure to risk and the mitigation activities.

For Business Critical Projects a top level risk must be placed on the NERC Top Risk Register for reporting to NEB, Council and the Audit, Risk and Assurance Committee (ARAC).

Assurance mechanisms

All major projects must undergo the following processes, introduced by the MPA, to strengthen the assurance framework:

1. Starting gate report
2. Submission of draft Integrated Assurance and Approval Plan (IAAP) for validation by both MPA and HMT.

The outcome of these reviews will decide the level of approval scrutiny the project requires, which may include:

3. Major Project Review Group
4. Treasury Approval Point (TAP) decision with panel meeting
5. Treasury Approval Point (TAP) decision without panel meeting

Business cases should be submitted to Treasury for approval once they have been signed off by senior management, including sign off by the NERC Finance Director. The business case should be accompanied with other significant documents such as:

- Up-to-date IAAP
- Most recent independent piece of assurance
- Risk register
- Commercial strategy

Appendix I

Risk Register Template - Minimum Requirements

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