Name of Faith Institution

Registered Charity Number

Address

***Risk Management Policy***

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| **Version** | Ver 1 | **Approved by** | Trustees |
| **Dated** |  | **Next review**  **due on** |  |

1. **Background**

It is recognised that risk is part of our lives and no activity or action is completely risk-free. According to the teachings of our faith, we trust in God, but we also need to take all necessary precautions to reduce the risks and minimise the effects of something going wrong.

The board of Trustees of **Name of Faith Institution** (the “Charity”) is responsible for overseeing risk management across the Charity. The aim of this policy is for key risk indicators to be identified, monitored and reviewed on a regular basis.

1. **The role of the Trustees of the Charity**

The Trustees of the Charity, as charity trustees, have ultimate responsibility for its proper management. Their role includes strategic oversight of the Charity and ensuring appropriate governance arrangements are in place and implemented effectively. It also requires the formulation of appropriate policies to deal with issues, like risk, that the Trustees must consider in the performance of their duties.

The proper management of risk must (as a matter of law) ultimately fall to the Trustees and may not be delegated. However, the Trustees may delegate the day-to-day operation of this Policy to such members of staff as they see fit, provided that such operation is reported regularly and effectively to the Trustees.

1. **The Charity’s approach to risk management**

The Trustees have adopted the following definition of risk for the purposes of this Policy: “*the uncertainty of outcome, within a range of exposure, arising from a combination of the impact and probability of potential events*”.

The essence of risk is uncertainty of outcome (which may be positive or negative). The term *exposure* refers to the combination of the *probability* of these potential events and the magnitude of their *impact:*

* *Probability:* the evaluated likelihood of a particular outcome actually occurring (including a consideration of the frequency with which the outcome may arise);
* *Impact:*the evaluated effect or result of an outcome occurring.

The task of *risk management* is the *limitation of exposure to negative risks* to an acceptable level, by *considering probability and impact in combination*. It therefore requires identification and consideration of all relevant factors, and where appropriate controlling such factors.

1. **The Risk Matrix**

The Trustees (with the involvement of other stakeholders, employees and volunteers) will consider and assess risk by means of a risk matrix (the “Risk Matrix”). A model Risk Matrix is set out at Schedule 1.

1. **Risk Assessment**

The Trustees shall consider risk, by reference to an objective framework (“Risk Assessment Framework”). A model framework is set out at Schedule 2 (dealing both with probability and impact).

1. **Risk mitigation**

The Trustees shall consider how best to mitigate significant risks and agree appropriate actions to mitigate such risk by means of a risk action plan (“Action Plan”). A model Action Plan is set out at Schedule 3.

Resources available to the Charity may be limited and it is the Charity’s aim in mitigating risk to achieve a proportionate response, prioritised in accordance with an objective assessment of each risk (in accordance with the Risk Assessment Framework).

1. **Ongoing responsibility**

The Trustees and their employees and volunteers shall continuously monitor and assess risk by means of the Risk Matrix and Risk Assessment Framework and make appropriate Action Plans as necessary.

Risk Management shall be a regular agenda item at meetings of the Trustees.

The Trustees expect all staff and volunteers when engaging with any activity to consider the risks it poses and to act in accordance with any recommendations made for risk management.

The Trustees expect that the staff and volunteers will not engage in significant types of activity which are not similar to activities the Trustees are already aware of, without first having made to the Trustees a proper proposal for the Charity engaging in such activity, including an analysis of risks such activity might pose to the Charity. Such new forms of activity might include, for example, new forms of fund-raising or new forms of service provision.

The Trustees have the same expectation in relation to significant increases in activities already pursued by the Charity or significant changes in the way those activities are pursued.

1. **Risk Management as part of the Internal Control System**

The Charity’s internal controls are an essential part of effective risk management. Key responsibilities of Trustees that underpin these controls include:

* the duty of Trustees to identify and assess risk and to take appropriate action in accordance with this Policy;
* continuous monitoring of significant risks;
* the business planning and budgetary process is used to set objectives, agree action plans and allocate resources and throughout those processes due regard is had to Risk Matrices and implementation of Action Plans;
* progress towards meeting objectives is monitored regularly;
* significant strategic risks and how they are managed are monitored and agreed by the Trustees on at least an annual basis;
* regular review of the overall picture ensures that emerging risks can be identified and assessed through the Risk Matrix and Assessment Framework as soon as they are identified; and
* all persons with management responsibilities are required to identify, monitor and review risk in their own areas.

1. **Monitoring, Evaluation and Review**

The Trustees will review this policy periodically and assess its implementation and effectiveness.

1. **Accountability**

Employees or volunteers should inform the Trustees of all matters relating to serious breaches of this policy including any major incident to be addressed under this policy promptly, preferably prior to action being taken insofar as is reasonably practicable.

1. **Reporting serious incidents**

The Trustees recognise their obligations under the Charity Commission’s guidance on ‘How to report a serious incident in your charity’. The Trustees will ensure that major risks are reported to the Charity Commission and/or other relevant authorities as and when required by law and in accordance with the Commission’s guidance.

1. **Policy Status**

This policy does not form part of any employee's contract of employment.

# ***Schedule 1- Risk Matrix – for Trustees to consider and assess risk – to be monitored and reviewed***

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| Date of Review | ………………………… |

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| **Risk Reference** | **The Risk**  ***What Can Happen?*** | **Source**  ***How can this Happen*** | **Impact**  ***of event happening*** | **Current control Strategies**  ***and their effectiveness***  (A) –Adequate  (M) – Moderate  (I) – Inadequate | **Current Risk Level** | | | **Acceptability (A/U)** |
| **Likelihood** | **Consequence** | **Current Risk Level** |
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# ***Schedule 2 - Risk Assessment Framework – for consideration of risk by Trustees - Completed by way of example only***

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|  |  |  |  | |  | **Consequence** | | | | |
|  |  |  |  | | **People** | Injuries or ailments not requiring medical treatment. | Minor injury or First Aid Treatment Case. | Serious injury causing hospitalisation. | Life threatening injury or multiple serious injuries or involving safeguarding or related issues. | Death or multiple life-threatening injuries. |
|  |  |  |  | | **Reputation** | Internal review | Scrutiny required by internal committees or internal audit to prevent escalation. | Scrutiny or investigation required by Charity Commission | Intense public, political and media scrutiny. E.g.: front page headlines, TV, etc. | Critical failure. |
|  |  |  |  | | **Financial** | 1% of Budget | 2.5% of Budget | > 5% of Budget | > 10% of Budget | >25% of Budget |
|  |  |  | |  |  | **Insignificant** | **Minor** | **Moderate** | **Major** | **Catastrophic** |
|  | **Probability:** | **Historical:** | |  |  | **1** | **2** | **3** | **4** | **5** |
| **Likelihood** | >1 in 10 | Is expected to occur in most circumstances | | **5** | **Almost Certain** | **M** | **H** | **H** | **E** | **E** |
| 1 in 10 - 100 | Will probably occur | | **4** | **Likely** | **M** | **M** | **H** | **H** | **E** |
| 1 in 100 – 1,000 | Might occur at some time in the future | | **3** | **Possible** | **L** | **M** | **M** | **H** | **E** |
| 1 in 1,000 – 10,000 | Could occur but doubtful | | **2** | **Unlikely** | **L** | **M** | **M** | **H** | **H** |
| 1 in 10,000 – 100,000 | May occur but only in exceptional circumstances | | **1** | **Rare** | **L** | **L** | **M** | **M** | **H** |

# ***Schedule 3 – Action Plan***

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| **Risk Reference** | **Potential Action Options** | **Costs & Benefits** | **Is the Action to be Implemented**  **(Y/N)** | **Target Risk Level** | | | **Responsible Person** | **Timetable**  *for implementation* | **Monitoring** *strategies to measure effectiveness of action* |
| **Likelihood** | **Consequence** | **Target Level** |
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**Name of faith institution**

**Risk Management – guidance note to accompany Risk Management Policy**

**Background**

In an era of increasing concern regarding regulatory compliance, reputational risk, liabilities and litigation, charities are under greater scrutiny than ever. Trustees’ competency in identifying, managing and mitigating risk is now a required skill and trustees must be able to scrutinise the risks faced by their charity and apply the necessary tools and techniques to their decision making to mitigate the risks identified.

As part of their overall duties of management the trustees must ensure that the major risks to which the charity is exposed are identified, reviewed and that systems are established to mitigate those risks.  Whilst ultimate responsibility for developing the risk management policy rests with you as the charity trustees, it is important to involve those connected with the charity who may have a valid input, for example, your employees and volunteers.  This will help give you different perspectives on what might be significant in terms of risk.

The Charity Commission’s guidance (CC26: Charities and Risk Management) says:

“*Charity trustees should regularly review and assess the risks faced by their charity in all areas of its work and plan for the management of those risks.  Risk is an everyday part of charitable activity and managing it effectively is essential if the trustees are to achieve their key objective and safeguard their charity’s funds and assets*.”

Managing risk is fundamental to ensuring that:

* You are able to make informed decisions as a charity trustee about the activities that your charity is going to undertake as you will understand the potential impact of each activity on your charity
* Your charity can make the most of each opportunity it faces by knowing that any associated risks can be managed within appropriate parameters
* Forward and strategic planning involving the allocation of resources are improved for the charity meaning that your charity’s long-term aims are able to be achieved successfully.

The risk that your charity faces and your attitude to dealing with risks will be different to other charities.  It is not possible to provide a one size fits all risk management policy for every charity (much like the other policies that we have put in place).  Charity trustees should not in any event rely upon a pro-forma risk management policy, as part of the process of developing the policy is about you being able to understand the risks your charity faces, putting in place appropriate plans and learning how to adapt to meet those challenges.  This means that your charity’s risk management approach needs to be specifically tailored to its objects and activities.

The first step to developing your policy is to identify the risks that your charity faces and then apply some form of scoring process to evaluate which risks are likely to have the greatest overall impact on the charity.  Following the completion of this exercise you can begin to plan how you will deal with those risks (see actions below).

You need to start by considering the context in which your charity operates (which includes present, past and potential future activity).  This will enable you to identify the key risks that you face. You have to consider everything. Many charities simply focus on the financial and safeguarding risks as these are the most obvious and fail to consider issues that may be of much greater strategic importance.

**Are there particular categories of risk to consider?**

The Charity Commission guidance – Charities and Risk Management (see link below) provides some helpful guidance on categories of risk. Some of the risks may have been identified already, for example, the trustees will shortly approve a Visiting Speaker Policy.

The policy states: “The purpose of this policy is to ensure that this tradition, where knowledge, guidance and spirituality are disseminated, can continue safely within the bounds of law for everyone and community harmony and peace in the society are fostered.  The trustees recognise the importance of protecting the Charity’s reputation and to protect it from abuse by anyone engaged with terrorism and to ensure that the activities or views of the Charity cannot be misinterpreted and do not place the Charity’s beneficiaries, funds, assets or reputation at undue risk.”

Therefore, the risk associated with inviting external speakers to the charity has been identified and needs to be included on the risk register identifying what steps the trustees have taken to reduce the risk i.e. by adopting a visiting speaker policy.  How will you check that this is effectively implemented and that it is effective in reducing the risk identified? You have implemented a range of policies which address certain risks, and these should help inform your risk identification process.

There are broadly four ways to deal with any risk that has been identified (the 4 T’s approach):

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| **TREAT** take proportionate action to either reduce the likelihood of the outcome occurring or to minimise the impact of it happening. |
| **TOLERATE** accept that there is a risk that the event will occur but accept that it is a fact of life which, within appropriate parameters, can be tolerated. |
| **TERMINATE** simply decide to stop carrying out the activity so that the risk goes away. |
| **TRANSFER** transfer the risk to a third party (e.g. outsourcing) or transfer the consequences of the risk to another (e.g. insurance). |

Whatever action you decide to take, it should be proportionate.  It is therefore worth considering the financial impact of potential risks.  For example, if there is a risk that something may happen very infrequently, and the impact will be minimal, there is little point spending vast sums of money on putting in place safeguards to prevent the event from ever occurring, you would not spend £1 million to prevent losing £10.  Sometimes it is acceptable to simply decide to do nothing.

**Actions:**

The publication below – Risk Management for charities – getting started (Institute of Risk Management (“IRM”)) is a helpful, accessible document which I think is an excellent place to start when starting this exercise.  Setting aside some time for the trustees to focus on this exercise would be very worthwhile and reap benefits for the charity in the future.

I suggest that you broadly follow the steps outlined below:

1. Review Risk Management Policy
2. Following agreement of the policy, begin a risk identification and assessment exercise and enter the risks in a risk matrix using the model provided at Schedule 1 of the policy.  Then use the risk assessment framework at Schedule 2 to consider the consequences and likelihood of the identified risks. This should allow you to categorise risks that are high, medium and low.
3. Once this exercise is complete, you can move on to consider an action plan to mitigate the risks identified.  There is a pro-forma action plan included at Schedule 3 to the policy. This includes, importantly, the identification of the responsible person for progressing/addressing the actions identified, a timetable for implementation and what monitoring strategies will be used to measure effectiveness of action.

A key point is that this is a LIVE document – it should not be left to gather dust in a drawer once the actions above are complete. The IRM’s guidance states “*Risks change – consider them regularly:  and by that we do not mean just once a year.  For fast moving projects you might need to review risks as often as weekly but for more strategic risks quarterly might be enough*.”  The policy should include a clear review date so that it is immediately apparent when it was last reviewed and when it is due to be reviewed again.  You may want to include review dates for specific/individual actions identified on the risk register. In some cases, you may wish to refer to other documents.  For example, in a section dealing with financial risks it may be appropriate to refer to internal financial control documents or procedures.

It is not necessary to review every risk at every meeting – however, the trustees will need to identify priorities and action them accordingly. The trustees will also need to be clear as to how effective the risk actions are, whether any risk scores should be changed and why and whether any risks have been closed.  Trustees should also be alert to new risks that may need to be added to the risk register – and employees/volunteers should be encouraged to report any risks that they identify to the trustees for inclusion. Your risk register should be updated after each review and the reason for changes you make recorded. Minutes of trustee meetings should carefully record any discussions regarding risk and decisions taken.

There needs to be commitment to risk management throughout the charity.  It is important that the policy is communicated to staff and volunteers so that they know and understand what is being done and what is expected of them.  It is important to check that it is being followed and implemented where appropriate: Plan, Do, Act, Check.

**What happens if an incident/event happens anyway?**

Just because you have included a risk on the register does not mean that it will not happen.  If it happens, it confirms the need to have identified it as a risk in the first place.  However, it may be more problematic if you identified the risk, added it to the register and implemented an action plan to deal with the risk, but the actions were not implemented.

**Reporting serious incidents to the Charity Commission and other statutory authorities**

Trustees need to be aware (and the policy requires this) that when an incident occurs, they may need to report it to the Charity Commission as a serious incident (see link below to the Charity Commission’s guidance) and perhaps to other statutory authorities.  It may be sensible at this stage to take professional advice, but you should not delay in reporting to the Commission. It may be that the trustees feel (understandably) nervous in having to report a serious incident to the Commission in the future, given the recent issues and the Commission’s regulatory intervention, but this should not deter you.  If you have a clear outline of planned action in your risk register and minutes of trustees’ meetings, correctly implemented policies and procedures etc. you will be able to use this to evidence that the trustees correctly identified the risk and had acted to minimise that risk or prevent it happening, but it happened anyway.

**Health & Safety Policy**

It is worth bearing in mind for the future that if the charity has five or more employees then it will need to have a written health and safety policy (see Management of Health and Safety at Work Regulations 1999).  In addition, the trustees are required to assess the risks to employees and people affected by the charity’s activities and ensure that they have arranged for the effective planning, organisation, monitoring and review of preventative and protective measures.  The policy should not need to be lengthy or time-consuming – model policies are available for the Health & Safety Executive.

**Further reading:**

[Reporting serious incidents: guidance for charity trustees – Charity Commission](https://www.gov.uk/guidance/how-to-report-a-serious-incident-in-your-charity)

[Charities and risk management (CC26) – Charity Commission](https://www.gov.uk/government/publications/charities-and-risk-management-cc26)

[Risk Management for Charities – Institute of Risk Management](https://www.theirm.org/media/1238693/IRM-Charities-SIG-Getting-Started-Final.pdf)

[Risk governance for charities - Risk management structures and accountabilities – Institute of Risk Management](https://www.theirm.org/media/3488033/Risk-governance-for-charities_web.pdf)

[Write a health & safety policy for your business – Health & Safety Executive](http://www.hse.gov.uk/simple-health-safety/write.htm)