

Risk Management Policy & Procedures

Introduction

Risk management helps answer the following question: Can the charity continue to meet the needs of its beneficiaries now and in the future?

The risks that a charity faces depend very much on the size, nature and complexity of the activities it undertakes, and also on its finances. However, even small straightforward charities have risks: examples include:

- Damage to reputation
- Reduction in funding (donations, grants, gift aid, fundraising event mishap etc)
- Loss or incapacity of key staff or volunteers
- Changes in government policy

It is the responsibility of the Trustees to identify, assess and manage risks.

After risks have been identified and assessed, steps should be taken to manage them: for example, it might be possible to avoid the risk, transfer it to another party or take out insurance. In some situations, it may be necessary to accept the risk.

Small charities are exempt from reporting on risk management in their annual reports.

This policy & procedure is made with reference to the Charity Commission Guidance: Charities and risk management (CC26), published 1 June 2010. This is also a source of further information.

Policy

Significant risks to FOM will be identified, assessed and managed. This will enable the Trustees to make informed decisions and act in a timely manner when necessary.

These procedures will be reviewed and the outputs and conclusions re-evaluated. This will occur whenever there is an unforeseen event or once per year during a meeting of the Trustees.

Procedures

1) Identify risks

There are many types of risk and checklists exist to help identify risks – but they will be specific to a particular charity or project. Here are some examples (adapted from Charity Commission website):

Risk category	Examples
Governance risks	<ul style="list-style-type: none"> • inappropriate organisational structure • trustee body lacks relevant skills or commitment • conflicts of interest
Operational risks	<ul style="list-style-type: none"> • lack of beneficiary welfare or safety • ability of any partners • volunteers – commitment & competence • health and safety • security of assets • loss of data on computers
Financial risks	<ul style="list-style-type: none"> • inaccurate and/or insufficient financial information • inadequate reserves and cash flow • exchange rates • insufficient insurance cover
External risks	<ul style="list-style-type: none"> • poor public perception and reputation • change in the size of beneficiary group • turbulent economic or political environment • changing government policy
Compliance with law and regulation	<ul style="list-style-type: none"> • acting in breach of trust • poor knowledge of the reporting requirements • poor knowledge of regulatory requirements of particular activities (e.g. fund-raising),

2 Assessing risks

Risks need to be prioritised depending on the potential severity of their impact and likelihood of their occurrence.

One approach is to map risk as a product of the likelihood of an undesirable outcome and the impact that an undesirable outcome will have on the charity's ability to achieve its operational objectives. It enables the trustees to identify the important risks.

The following simple scoring system can be used to aid evaluation (Charity Commission website):

Impact

Descriptor	Score	Impact on service and reputation
Insignificant	1	<ul style="list-style-type: none"> • no impact on service • no impact on reputation

Descriptor	Score	Impact on service and reputation
		<ul style="list-style-type: none"> • complaint unlikely • litigation risk remote
Minor	2	<ul style="list-style-type: none"> • slight impact on service • slight impact on reputation • complaint possible • litigation possible
Moderate	3	<ul style="list-style-type: none"> • some service disruption • potential for adverse publicity - avoidable with careful handling • complaint probable • litigation probable
Major	4	<ul style="list-style-type: none"> • service disrupted • adverse publicity not avoidable (local media) • complaint probable • litigation probable
Extreme/Catastrophic	5	<ul style="list-style-type: none"> • service interrupted for significant time • major adverse publicity not avoidable (national media) • major litigation expected • resignation of senior management and board • loss of beneficiary confidence

Likelihood

Descriptor	Score	Example
Remote	1	may only occur in exceptional circumstances
Unlikely	2	expected to occur in a few circumstances
Possible	3	expected to occur in some circumstances
Probable	4	expected to occur in many circumstances
Highly probable	5	expected to occur frequently and in most circumstances

Grading

The evaluation should focus on any high scores (i.e. scores of 4 or 5 in either impact or likelihood) and on scores where both are 'moderate' or 'possible' (i.e. a score of 3 in both impact and likelihood). Various formulae or mapping techniques are available and could be used if they aid the process.

3 Evaluation & actions

For each of the important risks identified, trustees will need to consider any additional action that needs to be taken to manage the risk. The following are examples of possible actions:

- the risk may need to be avoided by ending that activity (e.g. stopping work in a particular country)
- the risk could be shared with others (e.g. a joint venture project)
- the charity's exposure to the risk can be limited (e.g. establishment of reserves against loss of income, phased commitment to projects)
- the risk can be reduced or eliminated by establishing or improving control procedures (e.g. internal financial controls, codes of conduct / policies)
- the risk may need to be insured against (e.g., third party liability, theft, fire)
- the risk may be accepted as being unlikely to occur and/or of low impact and therefore will just be reviewed annually

Once each risk has been evaluated, the trustees can draw up a plan for any steps that need to be taken to address or mitigate significant or major risks.

4 Monitoring and assessment

This will be carried out by the Trustees at least once per year or whenever there is a major event (such as the start of a new project).

The Trustees will ensure that:

- new risks are properly reported and evaluated
- risk aspects of significant new projects are considered
- any significant failures of control systems are properly reported and actioned
- there is an adequate level of understanding of individual responsibilities
- any further actions required are identified
- they consider and review the annual process
- they are provided with relevant and timely interim reports

Policy & Procedure approved by the Trustees:

Date

Policy & Procedure reviewed by the Trustees:

Date