RISK MANAGEMENT

What is risk management?

Risk management is the process that helps to identify, manage and control risks. Regularly reviewing possible risks are a key part of governance for a well-run charity. The risks that a charity may face vary – it will depend on the nature of the work and the size and complexity of the organisation. In reality, it's not possible to eliminate all risks completely. However, a risk management approach will help you to understand what the potential risks are to your organisation; what the likelihood is of those things happening; what the impact may be and help you to prioritise your resources to try and mitigate them. The aim is to reduce the level of risk to a point that an organisation is comfortable with.

Who is responsible for risk management?

The responsibility for the management and control of a charity lies with the trustees; however, trustees are likely to delegate the operational responsibility of risk management to staff – BUT trustees do have a role though to ensure that there are policies and procedures in place for managing risk and they review and consider the results. The level of involvement that trustees should have must be sufficient for them to make a risk management statement with confidence.

What is a risk management statement?

A risk management statement sets out the steps that you have taken to manage risks helps demonstrate your charity's accountability to stakeholders, funders, beneficiaries, staff and volunteers and the general public. For charities with an income over £500k (or £250k pa with £3.26m assets) it is a legal requirement that a risk management statement is included in your annual report; for charities with a lower income it is not essential that such a statement is included but it is recommended good practice that you do so. For smaller charities a short statement that covers an acknowledgement of the trustees' responsibility; an overview of how risks have been identified, reviewed and assessed and confirmation that control systems have been put in place to manage those risks will do; for bigger charities it is advisable to expand the statement to cover what the major risks may be; what procedures are in place to mitigate them and how they are monitored.

More detail about charities and risk management can be found on the Charity Commission website.

5 Top Tips

1. **Identify and analyse** what the risks maybe to your charity; what is it that may stop you achieving the things that you have set out to do? What is the likelihood that it will happen and what impact would it have on your organisation?
2. **Prioritise** your time and resources to those risks that have a high likelihood of happening and potential to have a significant impact on your organisation and its ability to deliver services.

3. **Plan and implement** what steps you need to put in place to reduce the risk; it may be implementing new policies and procedures; training staff and volunteers; delegating responsibilities; taking out insurance; stopping a particular practice or service; re-allocating workloads etc.
4. **Monitor and review** regularly as risks will change as you're your organisation changes. For example, changes in your annual income and expenditure, the type of services that you provide, the number of staff and volunteers you employ, information and data that you keep can all have an impact on increasing or decreasing risk levels.
5. **Communicate** your commitment and response to managing risk. It's a well governed, efficient and effective organisation that takes a risk management approach and so it's well worth communicating that to your staff, beneficiaries, stakeholders and donors.

RISK MANAGEMENT TEMPLATE

The attached template is intended as a quick and simple guide to help you work out what the most likely and significant risks to your organisation may be; what controls you currently have in place and what further actions and resources you may need to reduce their impact and the likelihood of them occurring.

How to use:

1. Think of the possible risks in the different areas of your organisations work; think about your aims and objectives- what might stop you from achieving them?

2. Score the likelihood of that risk happening :

   1 = rare - unlikely or remote chance of it happening and only in exceptional circumstances
   2 = possible - may happen on some occasions but not frequently
   3 = high likelihood - certain to occur in the majority of cases

3. Score the level of impact:

   1 = low – no or slight impact; complaint unlikely; no impact on service or reputation
   2 = medium – possible impact; disruption to organisation; complaint likely; possible impact on service or reputation
   3 = major impact – severe impact; adverse publicity; breakdown of service; litigation; loss of funds, staff, confidence

4. Prioritise your time and resources accordingly; the colour coding will help you see quickly what risks you need to focus attention on first. Start with those risks that you have both marked as red: a major impact and a high likelihood of the incident occurring; then focus on those with one

red: either a risk that has major impact or a high likelihood of the incident occurring and work your way through. Decide at which point you feel comfortable to stop; this is the point at which you as an organisation are comfortable with accepting and managing ordinarily that risk.

5. List what current management controls you have in place within your organisation that would help mitigate those risks.

6. Identify what further actions might be needed to reduce the impact and the chance of those incidents happening? Actions to think about might include updating and implementing policies and procedures; providing additional training or support to staff and volunteers; having access to professional expert advice; recruiting new trustees with certain skills, qualifications or expertise.

7. Decide who in the organisation is to take the lead on ensuring that those actions are carried through.

8. Mark the date by which this is to be done so that you can monitor your progress.