VSGWL Policy

RISK note

Risk is an everyday part of charitable activity. The Risks to be faced vary with the size and activities of the charity.

Why is Risk Management Important?

If risks are known and monitored Trustees/Directors can make informed decisions and take timely action.

Trustees/Directors can make the most of opportunities knowing that risks will be managed.

Managing risk is essential if Trustees/Directors are to achieve objectives and safeguard funds and assets.

Managing risk improves forward planning.

Reporting on Risk in the Annual Report demonstrates accountability to stakeholders, (beneficiaries, volunteers, staff, funders and the general public).

Who is responsible?

The Trustees/Directors. Whilst taking advice from staff and professionals **Trustees/Directors remain accountable for the decisions. Trustees/Directors need to be able to make the required risk management statement in the Annual Report with reasonable confidence.**

If accounts are auditable you must, in law, make a Risk Management statement. (Charities (Accounts and Reports) Regulations 2008). Income of £500k+ or income of £250k + assets of 3.6 Mill. Smaller charities are encouraged to handle risk and make a statement as a matter of good practice.

Types of Risk - All these are major risks.

Financial

- How does/could the economic cycle affect the finances?
- Inaccurate/insufficient financial information.
- Late or incorrect financial returns and grant claims.
- Inadequate reserves or cash flow.
- Dependency on limited income sources.
- Insufficient insurance cover.

Non-Financial
Governance

- Poor structure.
- Inadequate skills.
- Inadequate commitment.
- Conflicts of Interest.

Operational risks

- Poor Health & Safety management.
- Poorly defined contracts/ SLAs.
- Poor recruitment and training of staff/volunteers.

External Risks

- Poor public perception and reputation.
- Demographic changes, demand for services rises or falls.
- Turbulence in economy, political policy changes.

Compliance with law and regulation

- Acting in Breach of Trust
- Poor knowledge of legal responsibilities of employer - applies to volunteers.
- Poor knowledge of regulatory requirements.(e.g. fund-raising, running a nursery, running a cafe, etc).

All non-financial risks have financial implications in loss of funding, loss of clients, loss of income, potential closure.

How can Trustees/Directors manage risk? - Implement a Risk Management Policy

1. Make a risk framework
    a. Identify the risks - what is it that you do?
    b. Assess the risks - Impact and likelihood.
    c. Apply a strategy to each risk - Actions to be taken.
        i. Shift the financial consequences.
        ii. Don't do it.
        iii. Manage it, mitigate it.
        iv. Accept it and do it.
    d. Periodic review and amendment.

What should the Risk Management Statement in the Annual Report say?

- Acknowledge the Trustees/Directors' responsibility.
- Overview of the risk identification process.
- Indication that risks have been identified or reviewed and assessed.
- Confirmation that control systems are in place to manage the risks.
- Description of major risks.
- Link between risk and objectives.
- Link between risk identification, impact and likelihood of occurrence.
- Procedures beyond the financial to manage risk.
- Description of Risk Assessment process.
- Trustees/Directors review.

In practice this can be the Risk Register, the Risk Assessment Form and a covering paragraph.

Disaster Recovery Planning (DRP).

1. Set up a team to DRP
2. Identify all risks
3. Give each risk an impact rating and a likelihood rating

   E,g Total loss fire. Impact 10/10. Likelihood 1/10 (due to detectors/alarms). Planning is important even if the likelihood is remote. Without a plan insurance will not pay out.

4. Draw up a plan
   a. In the immediate aftermath. Which functions need to be resumed and in what order?
   b. Key individuals, roles and duties?
   c. Longer term, if necessary
5. Test the plan, evaluate the outcome and makes changes as appropriate.
6. Training and communication.
7. Update regularly and as circumstances change.
8. Training and communication.

RISK policy

The trustees are accountable for RISK

A Risk Management Statement will be included in the Annual Report. This will:

- Acknowledge the trustees' responsibility.
- Overview of the risk identification process.
- Indication that risks have been identified or reviewed and assessed.
- Confirmation that control systems are in place to manage the risks.
- Description of major risks.
- Link between risk and objectives.
- Link between risk identification, impact and likelihood of occurrence.
- Procedures beyond the financial to manage risk.
- Description of Risk Assessment process.
- Trustees review.

The Risk Register will be a framework taking into consideration:

- The identified risks
- Risk Assessment the risks
- Impact
- Likelihood
- Risk strategy - Actions
- Periodic review and amendment.
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The Quality, Governance and Compliance Committee will review the Risk Register on a quarterly basis and report to the Board. Risk management is a standing agenda item on all Board meetings.

Date of Adoption 3/ 12 / 21

Date of review 3 / 12 / 23

Authorised D. J. [signature]

Title: Chair, VSGWL

Date: 3/12/21