

## MP010: Issue 2

# Risk Management Guide

**Approved by Council**

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**Review:**

August 2015

## Scope

This procedure defines how The Society identifies, manages and mitigates risks. It gives a framework within which the Society can identify major risks, make decisions to mitigate such risks, and make an appropriate statement in the Annual Report. It is based on, and in line with, the guidance on risk assessment and management provided by the Charities Commission.

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## 1. Introduction

The adoption of a structured risk management methodology is a requirement of the Charity Commission for listed charities under SORP 2005 which requires confirmation in the Annual Report that 'the major risks to which the Society is exposed have been identified by the trustees, have been reviewed, and systems have been established to mitigate those risks'. It is also sound operational and commercial sense to manage risks effectively and a robust risk management system is a characteristic within highly successful enterprises.

## 2. Definitions

### 2.1 Risk

"Risk" is used in this guidance to describe the uncertainty surrounding events and their outcomes that may have a significant effect, usually adverse. In particular:

- operational performance
- achievement of aims and objectives; or
- meeting expectations of stakeholders
- compliance with the law.

### 2.2 Major Risk

"Major risks" are those risks which have a high likelihood of occurring and would, if they occurred, have a severe impact on operational performance, achievement of aims and objectives or could damage the reputation of The Society, changing the way trustees, members or beneficiaries might deal with The Society.

## 3. Policy on Risk Management

The Society's policy on risk management is to identify risks and categorise them according to their likelihood of occurrence and severity of impact. Responsibilities for action and monitoring are identified and assigned. Follow-up review is planned.

## 4. Responsibilities

- The President is responsible for ensuring that the risk assessment process is implemented and pursued.
- The Director General is responsible for communicating and progressing actions assigned to staff and for the administration of the risk assessment process.
- Council input to the assessment and policy making aspects.

## 5. Risk Areas and Assessment

The guidance provided by the Charity Commission has been used as the model on which the risk assessment and the Risk Areas are based. It is believed that the approach adopted provides a reasonable, although not absolute method of assessment. The following five general areas of risk have been adopted to provide a structure to the assessment and management of risk for The Society.

- Governance and Management
- Financial
- Compliance
- Operational
- Environmental and external

A scoring system is used to provide a crude ranking of the identified risks as follows:

- Low likelihood or severity = 1
- Moderate likelihood or severity = 2
- High likelihood or severity = 3

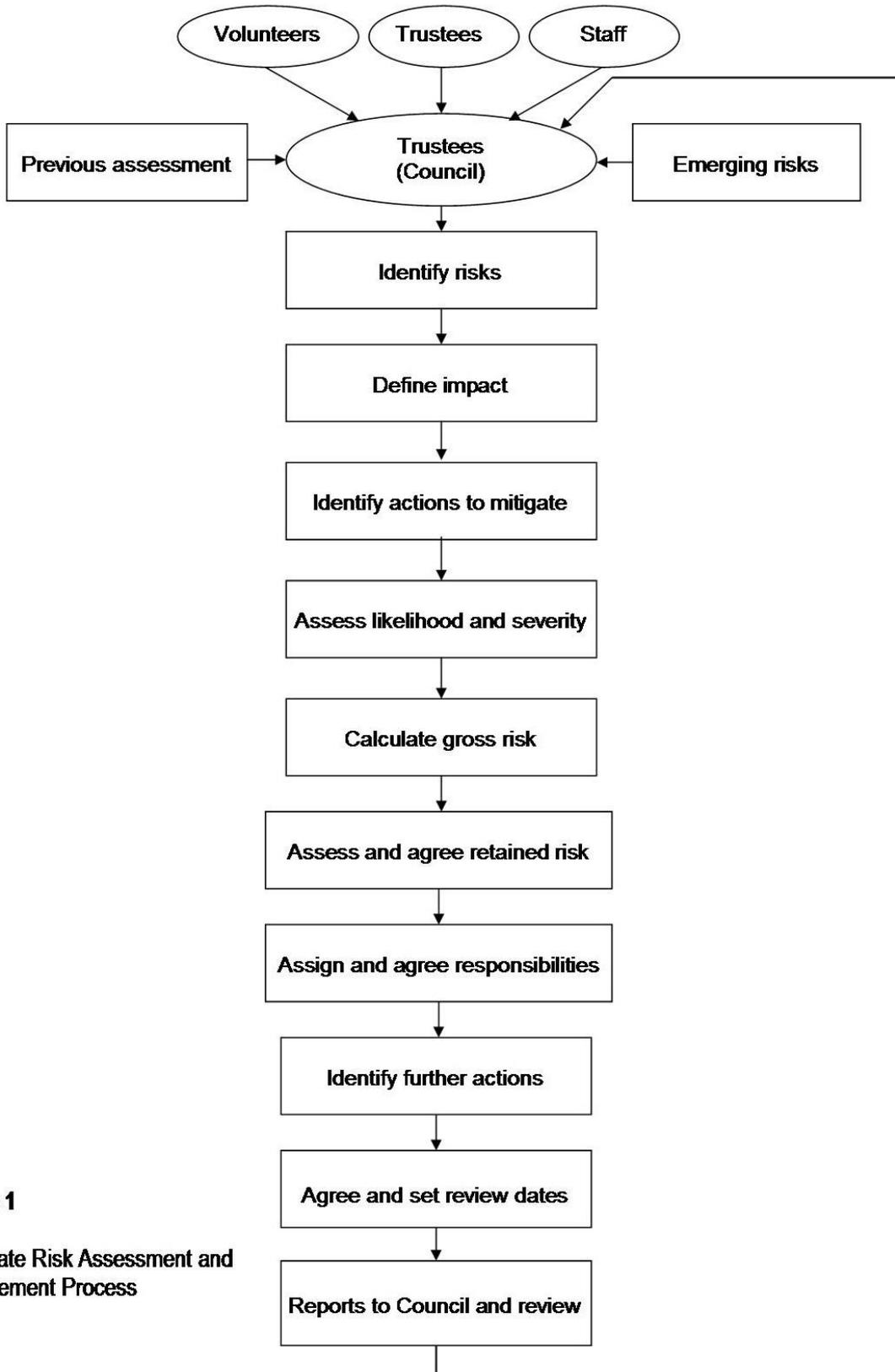
The gross risk or impact is arrived at by multiplying the likelihood and severity rankings.

For gross risk: 1 to 3 = Low, 4 = Moderate, 6 = High, and 9 = Very High

## **6. Procedure**

- 6.1 Using the Risk Assessment Table (Table 1) in conjunction with the Risk Assessment Procedure Flow Chart (Fig 1) to identify possible risks faced by the Society. This may involve consultation with specialists, the Advisory Board and the Staff.
- 6.2 Assemble the previous data and review against the current list. Compile a table based on the previous and the current assessment.
- 6.3 Evaluate the likelihood and severity of the risks identified.
- 6.4 Agreeing the key personnel designated as 'owner' of individual risks for risk monitoring and reporting purposes.
- 6.5 Identifying the 'best practice' controls/actions that could reduce the probability of the risk occurring or mitigate the impact and losses arising should the risk occur. The actions/controls may be identified with assistance from professional literature, consultation with specialists, discussions with peer group organisations etc.
- 6.6 Set timescales actions as and where appropriate.
- 6.7 Risk Management is to be reviewed regularly, normally once each year. All formally controlled record documents should be filed with the Director General.

## 7. Process Guide



**Figure 1**

Corporate Risk Assessment and Management Process

## Appendix

### Risk Assessment and Record Table

ID	Potential Risk Area	Potential Impact/effect	Actions to Mitigate	Likelihood	Severity (Impact)	Gross Risk	Retained Risk	Responsibility	Monitoring process	Further Action	Review Date
<b>Governance and Management</b>											
G1											
G2											
G3											
<b>Financial</b>											
F1											
F2											
<b>Compliance Risks</b>											
C1											
C2											
<b>Operational</b>											
Op1											
<b>Environment and External Risks</b>											
E1											
E2											
E3											
E4											
E5											

Notes: Assignment of numbers allows a crude quantification. Retained risk is scored 1, 2 or 3.  
 Low risk/likelihood/severity =1; Moderate = 2; High =3. These are 'probabilities and' therefore multiply to arrive at the gross figure.  
 The Gross Risk result assessed as Low = 1,2 or 3, Moderate = 4, High = 6, Very High = 9.  
 Low probability of occurrence with high severity = low risk.  
 Moderate probability with high severity = high risk.