Risk Management

Charities will face some level of risk in most of the things they do. The Trustee Board (MAC) will regularly review and assess the risks it faces in all areas of its work and plans for the management of those risks. The implementation of an effective risk management policy is a key part of ensuring that a Mission Area is fit for purpose.

There are risks associated with all activities - they can arise through things that are not done, as well as through ongoing and new initiatives. The Mission Area will have differing exposures to risk arising from their activities and will have different capacities to tolerate or absorb risk.

These considerations will inform the MAC members in their decision as to the levels of risk they are willing to accept (risk appetite). The risk assessment and evaluation will inform the MAC members of the steps taken to manage the major risks identified. MAC members need to let their Sub-committees know the boundaries and limits set by their risk policies to make sure there is a clear understanding of the risks that can and cannot be accepted.

Following identification of the risks that the Mission Area might face, a decision will be made about how these can be most effectively managed. The MAC will produce and maintain a risk register to help it make decisions about the levels of risk that can be accepted on a day-to-day basis and what matters need to be referred to them for a decision (i.e., major risks that have a major impact and a probable or highly probable likelihood of occurring). If they occurred, they would have a major impact on some or all of the following areas:

- governance
- operations
- finances
- environmental or external factors such as public opinion or relationship with funders
- the MAC's compliance with law or regulation

Any of these major risks and their potential impacts could change the way MAC members, supporters or beneficiaries might deal with the Mission Area.

There are four basic strategies that can be applied to manage an identified risk:

- Transference- transferring the financial consequences to third parties or sharing it, usually through insurance or outsourcing. All Mission Areas are insured with EIG's Parish Plus insurance policy.
- Avoidance - avoiding the activity giving rise to the risk completely, for example by not taking up a contract or stopping a particular activity or service
- Management or mitigation of risk
- Acceptance - accepting or assessing it as a risk that cannot be avoided if the activity is to continue:

Definitions

Assurance	An evaluated opinion, based on evidence gained from a review and analysis of an organisation's governance, risk management and internal control framework.
Corrective Controls	Designed to reduce the harm of or compensate for the realisation of a risk.
Detective Controls	Controls put in place to detect whether a risk has been realised. These are designed to limit harm and act as an early warning.
Directive Controls	Directions to employees or business units designed specifically to limit risk realisation or harm.
Exposure	The consequences, as a combination of impact and likelihood, which may be experienced by the organisation if a specific risk is realised.
Governance	Governance comprises the organisational arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.
Inherent Risk	The exposure arising from a specific risk before any action has been taken to manage it.
Internal Control	Any action originating within the organisation taken to manage risk. These actions may be taken to manage either the impact if the risk is realised, or the frequency of the realisation of the risk.
Issue	An issue is defined as an event that has happened or is happening. It is a known as opposed to an unknown quantity. The outcome of the actions or events is no longer subject to uncertainty.
Preventive Controls	Controls designed to limit the possibility of an undesirable outcome being realised.
Probability and impact matrix	A grid setting out the possible risk assessment scores for each combination of probability and impact.
Residual Risk	The exposure arising from a specific risk after action has been taken to manage it and making the assumption that the action is effective.
Risk	Risk is defined as the uncertainty on objectives: whether positive opportunity or negative threat. It is the combination of probability and impact.
Risk Appetite	The amount of risk that an organisation is prepared to accept or be exposed to at any point in time. Sometimes referred to as "risk tolerance".
Risk Assessment	The evaluation of risk with regard to the probability and impact should a risk be realised taking into account risk proximity.
Risk Management	All the processes involved in identifying, and assessing risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring, reviewing and communicating progress.
Risk Management Policy	The overall organisational approach to risk management as defined by the MAC. This should be documented and easily available throughout the organisation.
Risk Register	A document that outlines the significant risks faced by the MA, helping to identify, manage and escalate risks effectively.

Categories of Risk

1. **Governance** risks may include members of the Trustee Board not knowing or living up to their responsibilities; high membership turnover; conflict on a MAC; conflicts of interest not properly managed; absence of relevant policies; failure to properly implement agreed policies; and policies not being reviewed.

2. **Strategic** risks include any risk which may cause a Mission Area to be delayed or prevented from achieving its objectives. Examples include failure to control costs or failure to understand the resources needed for a particular project or particular service that the Mission Area wishes to offer.

3. **Compliance (legal or regulatory)** risks may include failure to comply with legal or regulatory requirements, for example: legislation in respect of charity regulation; health and safety; child protection; data protection; employment law; or company law. Such failures may arise due to a lack of resources within the Mission Area to meet the requirements, or due to a lack of knowledge within the Trustee Board of the legal or regulatory requirements that the Mission Area is required to comply with.

4. **Operational** risks include volunteers or employees being unavailable for duty, or volunteers or employees that are only trained for one role and are unable to cover for another volunteer or employee in the event of an absence. A lack of planning in the event of Mission Area premises being damaged and unusable for a period of time is also an operational risk.

5. **Financial** risks include failure to meet financial management and reporting requirements; failure to maintain prudent financial reserves; failure to plan to meet future needs; and failure to properly assess and understand the financial viability of the Mission Area. Misunderstanding funder priorities, poorly articulated funding applications or missed deadlines for funding applications are all potential risks for the Mission Area.

6. **Environmental or external** risks include risks arising from a change in the overall environment in which the Mission Area operates such as a change to Government policy that affects the Mission Area. An example of environmental risk could be adverse publicity generated by another organisation resulting in loss of support for the Mission Area.

7. **Reputational** risks. Charities in general rely heavily on their reputation. The MAC should consider the actual and perceived impact of the decisions it takes, ensuring that all decisions are taken in line with the best interests and charitable purpose of the Mission Area. For example, a Mission Area providing services to children could risk damage to its reputation by accepting a donation from an alcoholic drinks company. Failure to identify, evaluate and manage all of the risks within the Mission Area can have serious implications for the MAC and may adversely affect the reputation of the Mission Area. For example, poor financial oversight of the Mission Area's finances could lead to the misappropriation of funds which, in addition to having serious implications for the Trustee Board, would likely cause all stakeholders (including funders and donors), to lose trust and confidence in the Mission Area.

How to Manage Risk

The Trustee Board will meet to discuss and agree these matters and take action on the following:

- Identify the risks – carry out an internal and external analysis of what risks/issues could affect the Mission Area, using the risk categories set out above as a guide to establish the inherent risk.
- Produce and maintain a risk register.
- Evaluate and rate the risks - what is the likelihood of the risk occurring and what is the potential impact on the Mission Area if the risk materialised? A probability and impact matrix will be used to score risks.
- Prioritise the risks - based on the evaluation of each risk, priority for action should be given to those risks most likely to occur and most likely to have significant impact and serious consequence(s) for the Mission Area.
- Mitigate the risks – where possible MAC members should identify what action can be taken to mitigate against each risk, for example: Take out appropriate levels of insurance. There are for types of control that will be considered, these being corrective, detective, directive and preventative.
- Agree on how to manage risk – For each risk identified, a risk action plan will be developed. These internal controls will be discussed and approved at MAC meetings.
- Assess if the risk rating has changed as a result of mitigating actions that have been taken and update the risk register as appropriate with the residual risk.
- Monitor the risks and report on their management – risks should be monitored regularly and should be a standing item on the agenda at MAC meetings.
- Provide Assurance to the MAC Trustees in relation to risk management

Date Adopted: ___13.10.25____

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