Risk Management Policy

Introduction

Lydbrook Parish Council encounters risks that could affect any aspect of its administrative or business activities and it recognises that the management of risk is vital to ensure the Parish Council is able to achieve its functions and responsibilities.

The Risk Management Policy is a newly established Policy, to be reviewed regularly. It identifies a consistent approach towards risk and outlines risk assurance and risk management processes.

The Risk Management Policy is designed to enable Parish Council to minimise the likelihood and consequence of risks through prioritised and targeted mitigation to ensure efficient and effective use of resources.

Objectives of the Policy

The objectives of the risk management policy are to:

- Manage risk in accordance with best practice and legislative requirements
- Minimise loss, disruption, injury and damages
- Inform policy and operational decisions by identifying risks and their likely impact
- Raise awareness of the need for risk management.

These objectives will be achieved by:

- Identification of risk
- Undertaking risk assessments
- Managing the risk and recording actions
- Incorporating risk management considerations into council processes
- Effective communication with, and active involvement of, employees

Methodology

When conducting a risk assessment for a not-for-profit company, there are several key areas to consider, as follows:

- **Identify Potential Risks:**
  Start by identifying all potential risks that could affect the organisation. This could include financial risks, legal and compliance risks, reputational risks, operational risks, and more.
- **Assess the Likelihood and Impact:**
  Once you've identified the risks, assess the likelihood of each risk occurring and its potential impact on the organization. This will help prioritize which risks need the most attention.
- **Develop Risk Mitigation Strategies:**
  For each identified risk, develop and document strategies to mitigate or manage the risk. This might involve implementing internal controls, obtaining insurance, creating contingency plans, or other measures.
- **Monitor and Review:**
  Risk assessment is an ongoing process. It's important to regularly monitor and review the identified risks and the effectiveness of the mitigation strategies in place.

- **Board and Stakeholder Involvement:**
  Consider involving the board and key stakeholders in the risk assessment process to ensure a comprehensive understanding of risks and buy-in for mitigation strategies.

Note: Remember that the specific risks and mitigation strategies will vary depending on the nature of the not-for-profit organisation and its activities.

Risk Management as Part of Internal Control

The system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the Parish Council to respond to operational, financial and commercial risks. These elements include:

- Policies and procedures
- Regular reporting
- Planning and budgeting
- A fully operating Finance Control System
- An established Internal Auditor system, responsible for aspects of an Annual Review of effectiveness of internal control systems
- Third party reports from external consultants., and engagement of an accredited Accountant for end of year Report.

The Parish Council will be managing many risks when it reviews its insurance and its systems also. Minutes will record such reviews. Budget setting and insurance reviews are annual activities, but the review of systems may be less frequent, but regular.

An exercise of reviewing systems should be carried out every four years, unless triggered by internal or external audit reports, or when a k changes or there is a change in personnel.

Risk Overview

A “Risk” is any weakness that could endanger the organisation overall, individual members, staff, visitors, volunteers, any anyone else working on behalf of the organisation. Its assets, operations or reputation of the Parish Council, also.

Risk is a value generated from the three factors “Vulnerability”, “Threat” and “Impact”. Each factor is assessed, and assigned, a numeric value that are multiplied together to give the Risk value. The allocation of values is a subjective process and the higher the values the greater the perceived risk to the organisation. The factors are defined as follows:

- ‘Vulnerability’ is a measure of the exploitability of a weakness.
- “Threat” is an assessment of how likely it is that a specific weakness will be exploited or will occur.
- “Impact” is an assessment of how much it will hurt or cost if the weakness occurs.

The Vulnerability and Threat factors are often multiplied together and expressed as a single item “Hazard”. It is the product of “Hazard” and “Impact” that provides a value for “Risk”.

In the organisations’ risk assessment document, the “Hazard” and “Risk” columns have the values graded from the highest bright red to the lowest bright green. The middle point is the 50-percentile figure and the various shades of colour indicate where a weakness sits on the relative scale in comparison to all the other quantified weaknesses. The icons at the end of each row are a more traditional High, Medium or Low assessment based on specific value ranges.

Roles

The Chair of the Parish Council, in respect to risk management, is responsible for the following actions:

- To implement policies on risk management and internal control.
- To identify and evaluate the significant risks faced by the organisation, for its consideration.
- To provide adequate information in a timely manner to the Executive, on the status of risk and controls.
- To arrange for the Parish Council to undertake an annual review of effectiveness of the system of internal controls.

Internal Auditor systems will check the minutes and any other documentation he / she deems relevant for any suggestion of unusual activity and evidence that risks are being identified and managed.

Mitigation

The Parish Council's risk mitigation seeks always to reduce exposure by applying one of the following actions. Each weakness is analysed, and list is always applied in numerical until a satisfactory mitigation is achieved:

- Implement an action that will remove the risk.
- Implement an action that will reduce the risk to an acceptable level.
- Transfer the risk and responsibility (e.g. to a contractor), the Parish Council will always retain accountability.
- Insure against the risk.
- If none of the above are possible and it is a weakness that cannot be avoided, accept the risk.
- In many cases mitigation will be a combination of two or more of these strategies.
- For any weakness that it proves impossible to apply any of the first three strategies must be specifically raised on the next Executive Committee meeting. This will ensure that the Executive will vote on whether such a risk is acceptable.

Annual Review of Effectiveness

On production of Internal Auditor reports, the Parish Council will:

- Review the previous year and examine the Organisation's track effectiveness on risk management and internal control.
- Consider the internal and external risk profile of the coming year, noting any new areas of risk, and consider whether current internal control arrangements are likely to be effective.
- Evaluate the potential consequences to the organisation, if an event that has been identified as a risk takes place and consider measures to avoid, reduce or control same.
- Make recommendations to the Executive Committee on its findings.

In making any recommendations, the Parish Council will consider the following aspects:

- Timely identification and assessment of significant risks.
- Prioritisation of risks and allocation of resources to address areas of high exposure.
- Quality and timeliness of information on significant risks.
- Time it takes for control breakdowns to be recognised or new risks to be identified.
- Ability of the organisation to learn from its problems.
- Commitment and speed with which corrective actions are implemented.