Risk Management Policy

Overview

Reaching People acknowledges that all activity has associated with it an element of risk. Due to the nature of the member organisations' services, and the fact that not all risks can be transferred to third parties through insurance policies, contract or waivers, the management of residual risk at all levels of the organisation is imperative. The Trustees have delegated responsibility for risk management policy to the CEO and the finance and general purposes sub-group.

Risk appetite is the practice that attempts to determine the amount of risk that is acceptable to take. There are a multitude of risks within the consortium that cannot be translated in a simple statement or measure to set out the member organisations' appetite for risk. Reaching People uses a critical risk framework as the means to assess risk and its likelihood, and to put in place practices to minimise risk.

Attached to fundamental risks are a number of policies and procedures that underpin the internal control process. The written policies and procedures are agreed by the trustees, and implemented and communicated by the CEO.

Purpose

Reaching People is committed to building increased awareness and shared responsibility for risk management at all levels of the consortium. The risk management policy and critical risk analysis process supports this. This policy is intended to assist in decision making processes that will minimize potential losses, improve the management of existing uncertainty and the approach to new opportunities, thereby helping to maximise available resources.

Definition of terms

Risk is defined as, "Any event happening that may have an impact on the achievement of business objectives." Such events can be either actual threats to the provision of existing work, or opportunities missed.

Risks can be categorised as strategic or operational:

A **strategic** risk is defined as any risk which by its nature either has a direct impact upon the achievement of the overall objectives of an organisation rather than any discrete part of it, or which cuts across corporate operational and delivery boundaries. These will be high level and strategic by nature.

An **operational** risk is defined as any risk, which by nature impacts on achievement of the objectives of any of the delivery of our contracted work or other work of the charity.

Approach to Risk

The Trustees do not consider that all risks should be avoided. They are not averse to taking reasonable risks as part of their strategy to achieve the consortium's objectives. However, they wish to be made aware of the major risks the consortium faces so that they can plan how to manage those risks and mitigate their effects.

The Trustees expect all member organisations, when engaging in any Reaching People activity, to consider the risks it poses and to act in accordance with any recommendations made for risk management.

The Trustees expect that member organisations will not engage in significant types of activity which are not similar to the activities of which Trustees are already aware, without first having made to the Trustees a proper proposal for the consortium engaging in such activity, including analysis of the risks such an activity might pose to the consortium.

The Trustees have the same expectation in relation to significant increases in activities already pursued by the member organisation or significant changes in the way those activities are pursued.

Reaching People has developed policies and procedures covering all areas of identified operational delivery and associated risk. These policies and procedures are reviewed and updated at a minimum every 3 years.

Risk Management

Risk management is the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects. It is a process that involves the systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, controlling, monitoring and communicating risk.

Risk management as part of the system 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 Reaching People to respond to a variety of operational and financial risks. These elements include:

- *Reporting*

A Reaching People member organisation may make key changes to operational/strategic risks within their organisation that may adversely affect the operations or reputation of Reaching People and/or any of its other members. Such reported risks will be reviewed by the Reaching People board at its quarterly meetings, or sooner if deemed necessary.

- *Business planning and budgeting*

The business planning and budgeting process is used to set objectives, agree action plans, and allocate resources. Progress towards meeting business plan objectives is monitored through, and reviewed on, a quarterly basis by the board of trustees. If the need arises, ad-hoc meetings are arranged to discuss any urgent issues.

- *Risk Assessment*

A critical risk framework is compiled by the CEO and Finance and General Purpose sub-group, and helps to facilitate the identification, assessment and ongoing monitoring of risks fundamental to the consortium. The document is formally appraised and reviewed annually and emerging risks are added as required; improvement actions and risk indicators are monitored on an on-going basis.

- *Audit*

The CEO and Finance and General Purpose sub-group report to the Trustees on internal controls and alerts them to any emerging issues. In addition, the sub-group oversees internal audit, external audit and management as required in its review of internal controls. The CEO and sub-group are therefore well-placed to provide advice to the board on the effectiveness of the internal control system, including the consortium's system for the management of risk.

- *Internal audit programme*

Internal audit is an important element of the internal control process. Apart from its normal programme of work, internal audit is responsible for aspects of the annual review of the effectiveness of the internal control system within the consortium. Internal audit of discrete programmes is written into each separate project agreement.

- *External audit*

External audit provides feedback to the consortium's Finance sub-committee on the operation of the internal financial and management controls reviewed as part of the annual audit.

- *Third party reports*

From time to time, the use of external consultants is necessary in areas such as legal marketing, health and safety, finance, and human resources. The use of specialist third parties for consulting and reporting increases the reliability of the internal control system.

Annual review of effectiveness

The CEO is responsible for reviewing the effectiveness of internal control of the consortium on information provided by each member organisation. This is outlined below;

For each fundamental risk previously identified, the CEO/sub-group will:

- review the previous year and examine the organisation's track record on risk management and internal control
- consider the internal and external risk profile of the coming year and consider if current internal control arrangements are likely to be effective

In making its decision the Trustees will consider the following aspects:

Control environment:
- the consortium's objectives and its financial and non-financial targets
- organisational structure and calibre of the consortium
- culture, approach, and resources with respect to the management of risk
- delegation of authority
- public reporting

On-going identification and evaluation of fundamental risks:

- timely identification, reporting and assessment of fundamental risks
- prioritisation of risks and the allocation of resources to address areas of high exposure

Information and communication:

- quality and timeliness of information on fundamental risks
- time it takes for control breakdowns to be recognised or new risks to be identified

Monitoring and corrective action:

- ability of the consortium (and its individual members) to learn from its problems
- commitment and speed with which corrective actions are implemented.

Document Control		
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