

Lancaster District Community and Voluntary Solutions

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Risk Management Policy

Effective Date:	September 2010
Management Review Date:	Annual
Board Review Date:	Annual
Notes:	

1. Purpose of this document

- This risk management policy forms part of LDCVS's internal control and governance arrangements.
- The guidance explains LDCVS's underlying approach to risk management and sets out the roles and responsibilities of the Board of Directors and the Management team. It also outlines key aspects of the risk assessment process and identifies main reporting procedures.
- In addition, it describes the process the Board of Directors will use to evaluate the effectiveness of LDCVS's internal control procedures.

2. Underlying approach to risk management

The following key principles outline LDCVS's approach to risk management and internal control.

- The Board of Directors have responsibility for overseeing risk management within LDCVS.
- An open and receptive approach to solving risk problems is adopted by the Board of Directors.
- The Board of Directors, together with the other members of the Management Team, supports, advises on and implements policies approved by the Board of Directors.
- LDCVS makes conservative and prudent recognition and disclosure of both the financial implications of risks and the non-financial, the latter relating to governance, management, quality, reputation and business continuity.
- Key risk indicators will be identified and closely monitored on a regular basis.

3. Role of the Board of Directors

The Board of Directors has a fundamental role to play in the management of risk. Its role is to:

- Set the tone and influence the culture of risk management within LDCVS. This includes:
 - determining whether LDCVS is 'risk taking' or 'risk averse' as a whole or on any relevant issue
 - determining what types of risk are acceptable and which are not
 - setting the standards and expectations of staff with respect to conduct and probity.
- Determine the appropriate risk appetite or level of exposure for LDCVS
- Approve major decisions affecting LDCVS's risk profile or exposure
- Monitor the management of significant risks to reduce the likelihood of unwelcome surprises
- Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively
- Annually review LDCVS's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

4. Role of the Management Team

In respect to risk management the key roles of the Management Team are to:

- Implement policies on risk and internal control
- Identify and evaluate the significant risks faced by LDCVS for consideration by the Board of Directors

LDCVS is a Member of:



Our funders include:



- Provide adequate information in a timely manner to the Board of Directors on the status of risks and controls
- Undertake an annual review of effectiveness of the system of internal control and provide a report to the Board of Directors.

5. 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 LDCVS to respond to a variety of operational, financial, and commercial risks. These elements include:

5.1 Policies and procedures.

Attached to significant risks are a series of policies that underpin the internal control process. The policies are set by the Board of Directors and implemented and communicated by the management team to staff. Written procedures support the policies where appropriate.

5.2 Periodic reporting.

Comprehensive periodic reporting is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular meetings of the Management Team and the Board of Directors if appropriate.

5.3 Strategic planning and budgeting.

The strategic planning and budgeting process is used to set objectives, agree action plans, and allocate resources. Progress towards meeting strategic objectives is monitored regularly.

5.4 High level risk and business continuity management frameworks (significant risks only).

These frameworks are approved by the Management Team and the Board of Directors if appropriate they help to facilitate the identification, assessment, treatment and ongoing monitoring of risks significant to LDCVS. Risks relate to achieving strategic objectives, meeting project targets and maintaining operational performance. The frameworks are formally appraised annually. For a given risk, the Management Team and the Board of Directors, if appropriate decides an appropriate risk management strategy, whether to:

- **Terminate** the risk, by avoiding or eliminating areas of unacceptable risk
- **Transfer** the risk, (e.g. through insurance, joint ventures, strategic alliances, contractual risk sharing, but recognising that reputational risk cannot be transferred)
- **Tolerate** the risk, without further action, the risk as being at an acceptable level
- **Treat** the risk by adding control measures or contingency plans to manage the likelihood and consequence of events.

5.5 Risk Register

The appendix attached to the Business Continuity Plan contains a register of identified risks other than those associated specifically with Health and Safety, this is maintained and reviewed by the management team four times per year reporting to the Board of Directors, if considered appropriate, but emerging risks are added as required and improvement actions and risk indicators are monitored regularly.

The procedure document associated with the Health and Safety Policy contains registers of identified risks et al associated with Health and Safety.

5.6 Third party report.

The use of external consultants may be considered in areas such as health and safety, and human resources. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

6 Risk Assessment

The method adopted by LDCVS for assessing risk is as follows.

Risk assessment is the general term used to describe the process of gauging the most likely outcome of a set of events, situations or options and the significant consequences of those outcomes. The purpose of risk assessment is to provide a practical and methodical procedure for identifying risk and to establish a priority of risk so that the most serious can be addressed first.

The level of risk for each scenario is a function of the likelihood that an adverse event will occur and the consequence if the event actually occurs. A simple approach to classifying risks is to define qualitative measures of likelihood and consequence. This allows construction of a risk matrix (Figure 1) that can be used as a basis for identifying acceptable and unacceptable risks.

Figure 1:

Three part guide for calculating risk rating(s)

Likelihood of an incident occurring

Level	Likelihood of Occurrence	Details / Description
1	Rare	Very unlikely this will happen
2	Unlikely	Unlikely to happen again but is possible
3	Possible	May reoccur occasionally
4	Likely	Not persistent but probably will reoccur
5	Almost certain	Persistent and likely to reoccur

Consequence of an incident occurring

Level	Consequence	Details / Description
1	Insignificant	No injuries - No treatment /intervention required/given No loss/reduction of capacity to deliver service Low financial loss/cost
2	Minor	First Aid Treatment required/given Reduced capacity to deliver service Medium financial loss/cost
3	Moderate	Medical Treatment required/given. Assistance required to deal with reduced capacity to deliver service Medium financial loss/cost
4	Major	Extensive injuries. Temporary loss of capacity to deliver service Major financial loss/cost
5	Catastrophic	Death. Long term/permanent loss of capacity to deliver service High financial loss/cost

Matrix for calculating the level of risk attaching to an incident

Likelihood	Consequences				
	Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
5	H	H	E	E	E
4	M	H	H	E	E
3	L	M	H	E	E
2	L	L	M	H	E
1	L	L	M	H	H

Risk Rating

- Red = Extreme
- Orange = High
- Yellow = Medium
- Green = Low

7 Review of effectiveness

The Board of Directors is responsible for reviewing the effectiveness of internal control of LDCVS, based on information provided by the Management Team. Its approach is outlined below.

For each significant risk identified, the Board will:

- review the previous year and examine LDCVS's track record on risk and business continuity 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 Board will consider the following aspects.

Control environment:

- LDCVS's objectives, its compliance with legal requirement and its financial and non-financial targets
- organisational structure and calibre of the Management Team
- culture, approach, and resources with respect to the management of risk and business continuity
- delegation of authority

On-going identification and evaluation of significant risks:

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

Information and communication:

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

Monitoring and corrective action:

- ability of LDCVS to learn from its problems
- commitment and speed with which corrective actions are implemented.