

**The Council on Alcohol and Other Drugs (CAOD) risk management policy**

1. **Purpose**

This policy forms part of the CAOD’s internal control and governance arrangements. The policy explains the underlying approach to risk management, identifies the roles and responsibilities of the Board of Trustees and other key parties. It also outlines key aspects of the risk management process and identifies the main reporting procedures. In addition, it describes the process that we will use to evaluate the effectiveness of internal control procedures.

1. **Underlying approach to risk management**
* The following key principles outline our approach to risk management and internal control: The Board of Trustees has ultimate responsibility for overseeing risk management within the charity.
* The Chief Executive Officer (if in post) is responsible for supporting the Board of Trustees in their risk management activities.
* The Trustee responsible for operations is responsible for co-ordinating all risk management activities, ensuring appropriate reports and data are available to support the Board of Trustees with their decisions. They will also advise and implement policies approved by the Board of Trustees.
* All members of staff and volunteers are responsible for encouraging good risk management practice within their areas of work.
* Key risks will be identified by the Board of Trustees /key workers and closely monitored on a regular basis.
1. **Role of the Board of Trustees**

The Board of Trustees has a fundamental role to play in the management of risk. With support from the CEO (if in post), they will:

* Set the tone and influence the culture of risk management within the CAOD.

This includes:

* Communicating the CAOD’s approach to risk.
* Determining what types of risk are acceptable and which are not.
* Determining the appropriate risk appetite or level of exposure for the charity.
* Approving major decisions affecting risk profile or exposure.
* Identifying risks and monitoring the management of significant risks to reduce the likelihood of adverse results.
* Satisfying themselves that the less severe risks are being actively managed, with the appropriate controls in place and that the controls are working effectively.
* Annually reviewing the charity’s approach to risk management and approving changes or improvements to key elements of the processes and procedures.
1. **Role of executive / operational staff members and volunteers**
* Implementing policies on risk management and internal control.
* Identifying and evaluating the main risks faced by the charity for consideration by the Board of Trustees
* Implementing policies on risk management and internal control. Providing adequate information in a timely manner to the Board of Trustees on the status of risks and controls.
* Undertaking an annual review of the effectiveness of the system.
* Internal control and provide a report to the Board
1. **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 us to respond to a variety of governance, operational, financial, external and compliance risks. These elements include:

* Policies and procedures- Attached to major risks are a series of policies that underpin the internal control process. The policies are approved by the Board of Trustees and implemented and communicated to staff. Written procedures support the policies where appropriate.
* Reporting - Comprehensive reporting via a risk register is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular senior team meetings and Trustee Board meetings.
* 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 regularly via work plans.
* Quality processes - The Quality Manual is the mechanism by which we can assess the suitability of the risk management policy. The process assists in providing assurance that our systems, plans, policies, and procedures are constantly monitored and improved, so as to achieve our objectives and manage our funds effectively. The Trustees will be working towards the implementation of these processes as the CAOD grows ensuring that the quality processes meet the needs of the Charity
* External audits and third parties - External audits provide feedback to the Board of Trustees on the operation of the internal controls, reviewed as part of the annual audit. From time to time, the use of external agencies may be necessary in areas such as finance and quality management. The use of external agencies for consulting and reporting can increase the reliability of the internal control system. An external examiner will be appointed
1. **Risk management process**

The CAOD operates a risk management process as follows:

* A review of the previous year’s risk management systems.
* A ‘risk identification’ exercise for the design of a risk register.
* Evaluation of identified risks using risk assessments.
* Managing risks through application of risk management techniques.
* Recording and monitoring risks using a risk register.
* Assigning responsibility for risks to appropriate personnel.

Risk identification is not an annual process. The Board of Trustees and staff members are encouraged to report on risk, update risk registers and carry out assessments throughout the year.

1. **Annual review of effectiveness**

The Board of Trustees, with support from the CEO, is responsible for reviewing the effectiveness of internal control through findings based on information provided by the members of staff and volunteers. Its approach is outlined below.

For each major risk identified, the Board of Trustees will:

* Review the previous year and examine our 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 Board of Trustees will consider the following aspects.

1. Control Environment:
* The charity’s objectives and its financial and non-financial targets.
* The organisational structure and calibre of the staff/volunteers.
* The culture, approach, and resources with respect to the management of risk.
* The delegation of authority.
* Public reporting.
1. On-going Identification and Evaluation of Significant Risks:
* The timely identification and assessment of major risks.
* The prioritisation of risks and the allocation of resources to address areas of high exposure.
1. Information and Communication:
* The quality and timeliness of information on newly identified risks.
* The time it takes for control breakdowns to be recognised or new risks to be identified.
1. Monitoring and Corrective Action:
* The ability of the CAOD to learn from its problems.
* The commitment and speed with which corrective actions are implemented.

The Treasurer is the Trustee with the responsibility for co-ordinating all risk management activities and will prepare a report of significant changes to the risk register every two months to support the CEO report and will review the effectiveness of the internal control system annually for consideration by the Board of Trustees.

1. **Policy revision**

This policy will be reviewed every three years and amended as necessary, or earlier in accordance with any forthcoming legislation. All members of staff and volunteers should pass suggestions or recommendations, for the revision of any aspect of this policy to the Board of Trustees.

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| Date  | Changes made | Review date |
|  |  |  |
|  |  |  |

[A toolkit for effective risk management – Moore Kingston Smith (mooreks.co.uk)](https://mooreks.co.uk/insights/charities-risk-toolkit/)

**Appendix 1**

**Risk Mapping**

Risks are plotted in the four quadrants ranked by impact and likelihood of occurrence. Those in the top righthand quadrant showing both the highest likelihood and impact and those in the bottom lefthand quadrant showing the lowest likelihood and impact.

**LIKELIHOOD OF** **OCCURRENCE**

**LOWRISK**

**HIGH RISK**

**LOWRISK**

**HIGH RISK**

**IMPACT**

Example:

Risk 4 – Lack of skills on Board of Trustees

Likelihood: High

Impact: Medium

Assessed as such as Board of Trustees are currently managing with existing skills set.

**Appendix 2**

**Risk Scoring and Ranking**

Likelihood and impact are assessed separately for each risk and graded 1 to 5 with 1 being lowest likelihood/impact and 5 being the highest.

Impact will always be more important than impact and therefore we add extra weighting to impact.

We will calculate risk using Appendix 1 as

Impact (x)\* likelihood(y) + 2impact (x)

xy+2x

**LIKELIHOOD OF** **OCCURRENCE**

**1 2 3 4 5**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **7** | **14** | **21** | **28** | **35** |
| **6** | **12** | **18** | **24** | **30** |
| **5** | **10** | **15** | **20** | **25** |
| **4** | **8** | **12** | **16** | **20** |
| **3** | **6** | **9** | **12** | **15** |

|  |  |
| --- | --- |
|  | Major risks scoring >20 |
|  | Moderate risks scoring between 10 and 20 |
|  | Minor risks score<10 |

**1 2 3 4 5**

**IMPACT**

**Appendix 3**

**Indicators for Risk Management**

Operational and Staffing Issues

* High turnover of staff
* High turnover of trustees
* High turnover of contractors
* Drop in number of volunteers/beneficiaries
* Accidents involving staff/volunteers/beneficiaries
* Loss of grants/donations
* Regular rejection of funding
* High dependence on a small number of funders
* Poor performance against targets
* Projects running over budget/time
* Incomplete projects
* Late reporting to funders
* Significant insurance claims
* Additional legal costs above insurance cover
* Lack of adherence to policy and procedures and to internal controls

Financial Issues

* Monthly banking reconciliation and accounting procedures falling behind
* Reporting and management accounting delayed or incomplete
* Increased bad debt
* Late payment of suppliers
* Increased reliance on bank overdraft
* Reserves falling below level set in reserves policy
* Incidence of fraud

Overall risk management issues

* Significant issues arising from internal or external audit
* Poor follow up on issues and reports from external or internal review bodies
* Overdue action on points from risk register
* Escalating risks on risk register
* Legal claims or disputes
* Trustee conflicts of interest
* Activity falling outside charitable objects
* Breaches of regulatory requirements.

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Risk Identified** | **Likelihood of occurrence (Y)** | **Severity of Impact (X)** | **Overall risk (X\*Y)+2X** | **Existing control Procedures** | **Proposed improvements** | **Action by** | **Residual risk** | **Timetable for action** | **Follow up review** |
| Governance:Lack of Skills of Trustees | 5 | 3 | 21 | * Annual recruitment drive
* Trustee skills audit and appraisal
* Trustee training program
 | * Rolling program of recruitment
* Targeted recruitment for specific skills
* Recruit co-opted members to board
 | Chair | (3\*1)+6=9 | XXX | 6 monthly |
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**RISK REGISTER**

Residual risk is an appraisal of the risk that will remain and cannot be fully eliminated following actions taken to mitigate risk