

RISK MANAGEMENT POLICY AND PROCEDURE

"Risk" is used in this document to describe the uncertainty surrounding events and their outcomes that may have a significant effect, either enhancing or inhibiting, on the organisation:

- operational performance;
- achievement of aims and objectives; or
- meeting expectations of stakeholders.

"Major risks" are those risks which have a high likelihood of occurring and would, if they occurred, have a severe impact on operational performance, achievement of aims and objectives or could damage the reputation of NAAPS, changing the way trustees, supporters or beneficiaries might deal with the charity.

Risk management is not therefore solely focused on the prevention of disaster. The risk management process enables trustees to focus on the mitigation of risks that would prevent NAAPS achieving its strategic objectives. In so doing, NAAPS will be able to take opportunities and develop with an understanding of the risks faced, and with confidence that reasonable steps have been taken to mitigate them. The Trustees accept that good risk management is also about enabling the charity to take opportunities and to meet urgent need, as well as preventing disasters.

NAAPS, like all charities face some level of risk in most of the things that we do. No single list or classification of risk can ever be regarded as complete. The classification is primarily to ensure key areas of risk arising from both internal and external factors are considered. The following is a brief outline of the classification system used by NAAPS and gives some examples of risks that may fall into each category:

- Governance risks – eg inappropriate organisational structure, difficulties recruiting trustees with relevant skills, conflict of interest;
- Operational risks- eg service quality and development, contract pricing, employment issues; health and safety issues; fraud and misappropriation;
- Financial risks- eg accuracy and timeliness of financial information, adequacy of reserves and cash flow, diversity of income sources, investment management;
- External risks- eg public perception and adverse publicity, demographic changes, government policy.
- Compliance with law and regulation- eg breach of trust law, employment law, and regulative requirements of particular activities such as fund-raising or the running of care facilities.

NAAPS risk management policy and procedure includes:

1. The NAAPS risk policy
2. Identifying risks and controls in each area.
3. Assessing risk.
4. Evaluating what action needs to be taken.

5. Periodic monitoring and assessment.

1. NAAPS Risk Policy

The Trustees recognise that risk is an inherent feature of all activity and may arise from inaction as well as new initiatives. The trustees accept that NAAPS, if it is to achieve its charitable purposes will have to take risks from time to time. The trustees have however a duty to ensure that the charity is financially sound and legislatively compliant and that it operates to a high quality standard. The Board has therefore agreed a risk policy which balances the charity's need to take risks in pursuance of its charitable purposes and their duty to ensure that the charity's financial and legal standing and the quality of its operations are not compromised.

The Board requires the Chief Executive to carry out a risk analysis each year which identifies and evaluates the severity of the risks facing NAAPS. The risk analysis is informed by the views of the trustees, staff and membership and of key external stakeholders. The Board in consultation with the Chief Executive, staff and members will agree the actions necessary to mitigate those risks and these will form part of the strategic and operational plan for the following year.

In addition, the Board requires a risk analysis of any new project or development to be taken on by NAAPS. The Board will decide in each case whether the risk associated with the project or development is acceptable in the light of the charity's overall risk profile. Where the Board agrees to go ahead with the new project or development the Chief Executive will be required to carry out a detailed risk assessment and put in place strategies to address and minimise any identified risk.

2. Identification of risks and controls

The same process will be followed for the annual risk analysis which forms part of the charity's strategic planning process and the individual risk assessments of proposed new projects or developments.

The process involves the consideration of:

- the charity's objectives, philosophy and strategy;
- the nature and scale of the planned activity/activities;
- the outcomes to be achieved;
- external factors that might affect the charity such as legislation and regulation, and the charity's reputation with its major funders and supporters;
- the organisational structure and its continuing suitability
- competitors that may threaten the charity's influence and/or growth
- specific risk factors identified by stakeholders

The annual risk analysis will involve wide consultation with NAAPS members and NAAPS staff, together with key external stakeholders (eg: representatives of major funder(s) and partner organisations such as ADSS, CSCI, and SCIE).

The risk assessment of new projects or developments will involve as wide a range of stakeholders as possible. These will always include the NAAPS staff team and the officers of the Board but may also include key trustees with specialist responsibilities, members with specialist knowledge and key external stakeholders

with an interest in the project or development.

The risk analysis will consider risk across the following categories:

- governance and management;
- operational risk;
- finance risk;
- environmental and external risk; and
- legislation and regulation compliance risk.

3. Assessing risk

Identified risks need to be put into perspective in terms of the potential severity of impact and likelihood of their occurrence. Assessing and categorising risk assists in prioritising and filtering the risks identified and establishing further action (if any) required and at what level. The method used is to consider each identified risk and decide for each the likelihood of it occurring and the severity of the impact of its occurrence on the charity. This results in an effective mapping of risks onto a chart, such as that shown below.

Likelihood of occurrence (Chance of happening)	III High likelihood Low severity of impact	IV High likelihood High severity of impact
	I Low likelihood Low severity of impact	II Low likelihood High severity of impact
	Level of severity of impact on the charity	

This approach assesses the identified risk in terms of the likelihood of an undesirable outcome and the impact that the undesirable outcome will have on the charity's ability to achieve operational objectives. It allows the trustees to identify those risks which fall into the major risk category.

Major risks are those which, if they occur, would have a severe impact on operational performance, objectives or the reputation of the charity and which have a high likelihood of occurring.

Judging the severity of impact requires careful consideration and may require some subjective judgment. Often a clear financial impact can be assessed but certain events will in themselves create an indirect impact that may be significant and present a major risk. NAAPS operates in the context of public confidence and future income streams may be heavily dependent on the perception and reputation of the charity with the public and funders.

NAAPS trustees will agree actions to address all major risks. Risks with high potential severity of impact but low likelihood of occurrence will be kept under review annually and trustees will ensure arrangements are in place to ensure that they can be addressed should they arise. Risks with low severity but with a high likelihood of occurrence can have low level but cumulative effects (eg: on NAAPS finances or reputation) and trustees will ensure strategies are in place to prevent this.

4. Evaluating actions to address risks

Where major risks are identified then the trustees will ensure that appropriate action is being taken to ensure that these are mitigated.

The trustees will begin by assessing the adequacy of controls already in place.

For each of the major risks identified, trustees will then consider any additional action that needs to be taken to mitigate the risk, either by lessening the likelihood of the event occurring, or lessening its impact if it does occur.

Once each risk has been evaluated, the trustees will agree a plan for any action that needs to be taken to mitigate the risk. They will identify any risk remaining after action has been taken and will make a judgment about whether this remaining risk is acceptable. This is recorded in a risk register:

Major risk identified	Action taken to mitigate the risk	Risk remaining after action taken

Trustees may decide to take further action to mitigate the remaining risk should they judge that this is unacceptable. The cost of this action will be balanced against the likelihood of the risk occurring and the level of its impact should it occur.

5. Periodic monitoring and assessment

The risk management process is designed to ensure that new risks are addressed as they arise and also to establish how previously identified risks may have changed. The risk management process requires therefore periodic monitoring and the trustees monitor risk by:

- ensuring that the identification, assessment and mitigation of risk is linked to the achievement of the charity's operational objectives;
- ensuring that the assessment process reflects the trustees' view of acceptable risk;
- reviewing and considering the principal results of risk identification, evaluation and management;
- reviewing and considering update reports where the need for further action is identified;
- considering any significant new activities or opportunities as they arise to ensure any risks are identified and managed; and
- considering periodically external factors such as new legislation or new requirements from funders.

The trustees consider that annual monitoring is usually sufficient as long as it is supplemented by update reports at each Board meeting and assessment of new activities or proposed projects.