

Risk Policy

English Martyrs' Leicester Development Trust

Last updated

November 2020

Governance risks

Potential risk	Potential impact	Steps to mitigate risk
The charity lacks direction, strategy and forward planning	<ul style="list-style-type: none">• the charity drifts with no clear objectives, priorities or plans• issues are addressed piecemeal with no strategic reference• needs of beneficiaries not fully addressed• financial management difficulties• loss of reputation	<ul style="list-style-type: none">• create a strategic plan which sets out the key aims, objectives and policies• create financial plans and budgets• use job plans and targets• monitor financial and operational performance• get feedback from beneficiaries and funders
Trustee body lacks relevant skills or commitment	<ul style="list-style-type: none">• charity becomes moribund or fails to achieve its purpose• decisions are made bypassing the trustees• resentment or apathy amongst staff• poor decision making reflected in poor value for money on service delivery	<ul style="list-style-type: none">• review and agree skills required• draw up competence framework and job descriptions• implement trustee training and induction• review and agree recruitment processes
Trustee body dominated by one or two individuals, or by connected individuals	<ul style="list-style-type: none">• trustee body cannot operate effectively as strategic body• decisions made outside of trustee body• conflicts of interest• pursuit of personal agenda• culture of secrecy or deference• arbitrary over-riding of control mechanisms	<ul style="list-style-type: none">• consider the structure of the trustee body and its independence• agree mechanisms to manage potential conflicts of interest• review and agree recruitment and appointment processes in line with governing document• agree procedural framework for meetings and recording decisions
Trustees are benefiting from charity (eg remuneration)	<ul style="list-style-type: none">• poor reputation, morale and ethos• adverse impact on overall control environment• conflicts of interest• possibility of regulatory action	<ul style="list-style-type: none">• ensure legal authority for payment or benefit• consider alternative staffing arrangements• implement terms and procedures to authorise/approve expenses and payments• agree procedures and methods to establish fair remuneration conducted separately from 'interested' trustee (remuneration committee/benchmarking)

Potential risk	Potential impact	Steps to mitigate risk
		exercise etc)
Conflicts of interest	<ul style="list-style-type: none"> • charity unable to pursue its own interests and agenda • decisions may not be based on relevant considerations • impact on reputation • private benefit 	<ul style="list-style-type: none"> • agree protocol for disclosure of potential conflicts of interest • put in place procedures for standing down on certain decisions • review recruitment and selection processes
Ineffective organisational structure	<ul style="list-style-type: none"> • lack of information flow and poor decision making procedures • remoteness from operational activities • uncertainty as to roles and duties • decisions made at inappropriate level or excessive bureaucracy 	<ul style="list-style-type: none"> • use organisation chart to create a clear understanding of roles and duties • delegation and monitoring should be consistent with good practice and constitutional or legal requirements • review structure and the need for constitutional change
Activities potentially outside objects, powers or terms of gift (restricted funds)	<ul style="list-style-type: none"> • loss of funds available for beneficiary class • liabilities to repay funders • loss of funder confidence • potential breach of trust and regulatory action • loss of beneficiary confidence • taxation implications (if non-qualifying expenditure) 	<ul style="list-style-type: none"> • agree protocol for reviewing new projects to ensure consistency with objects, powers and terms of funding • create financial systems to identify restricted funds and their application
Loss of key staff	<ul style="list-style-type: none"> • experience or skills lost • operational impact on key projects and priorities • loss of contact base and corporate knowledge 	<ul style="list-style-type: none"> • succession planning • document systems, plans and projects • implement training programmes • agree notice periods and handovers • review and agree recruitment processes
Reporting to trustees (accuracy, timeliness and relevance)	<ul style="list-style-type: none"> • inadequate information resulting in poor quality decision making • failure of trustees to fulfil their control functions • trustee body becomes remote and ill informed 	<ul style="list-style-type: none"> • put in place proper strategic planning, objective setting and budgeting processes • timely and accurate project reporting • timely and accurate financial reporting • assess and review projects and authorisation procedures • have regular contact between trustees and senior staff and managers

Operational risks

Potential risk	Potential impact	Steps to mitigate risk
Project or service	• compatibility with objects, plans and	• appraise project, budgeting and costing

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development	<p>priorities</p> <ul style="list-style-type: none"> • funding and financial viability • project viability • skills availability 	<p>procedures</p> <ul style="list-style-type: none"> • review authorisation procedures • review monitoring and reporting procedures
Security of assets	<ul style="list-style-type: none"> • loss or damage • theft of assets • infringements of intellectual property rights 	<ul style="list-style-type: none"> • review security arrangements • create asset register and inspection programme • agree facility management arrangements • have safe custody arrangements for title documents and land registration • manage use of patent and intellectual property • review insurance cover
Fund-raising	<ul style="list-style-type: none"> • unsatisfactory returns • reputational risks of campaign or methods used • actions of agents and commercial fund-raisers • compliance with law and regulation 	<ul style="list-style-type: none"> • implement appraisal, budgeting and authorisation procedures • review regulatory compliance • monitor the adequacy of financial returns achieved (benchmarking comparisons) • stewardship reporting in annual report
Health, safety and environment	<ul style="list-style-type: none"> • staff injury • product or service liability • ability to operate (see Compliance risks) • injury to beneficiaries and the public 	<ul style="list-style-type: none"> • comply with law and regulation • train staff and compliance officer • put in place monitoring and reporting procedures
Disaster recovery and planning	<ul style="list-style-type: none"> • computer system failures or loss of data • destruction of property, equipment, records through fire, flood or similar damage 	<ul style="list-style-type: none"> • agree IT recovery plan • implement data back up procedures and security measures • review insurance cover • create disaster recovery plan including alternative accommodation
Information technology	<ul style="list-style-type: none"> • systems fail to meet operational need • failure to innovate or update systems • loss/corruption of data eg donor base • lack of technical support • breach of data protection law 	<ul style="list-style-type: none"> • appraise system needs and options • appraise security and authorisation procedures • implement measures to secure and protect data • agree implementation and development procedures • use service and support contracts • create disaster recovery procedures • consider outsourcing • review insurance cover for any insurable loss

Financial risks

Potential risk	Potential impact	Steps to mitigate risk
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Potential risk	Potential impact	Steps to mitigate risk
Reserves policies	<ul style="list-style-type: none"> • lack of funds or liquidity to respond to new needs or requirements • inability to meet commitments or planned objectives • reputational risks if policy cannot be justified 	<ul style="list-style-type: none"> • link reserves policy to business plans, activities and identified financial and operating risk • regularly review reserves policy and reserve levels
Cash flow sensitivities	<ul style="list-style-type: none"> • inability to meet commitments • lack of liquidity to cover variance in costs • impact on operational activities 	<ul style="list-style-type: none"> • ensure adequate cash flow projections (prudence of assumptions) • identify major sensitivities • ensure adequate information flow from operational managers • monitor arrangements and reporting
Dependency on income sources	<ul style="list-style-type: none"> • cash flow and budget impact of loss of income source 	<ul style="list-style-type: none"> • identify major dependencies • implement adequate reserves policy • consider diversification plans
Investment policies	<ul style="list-style-type: none"> • financial loss through inappropriate or speculative investment • unforeseen severe adverse investment conditions • financial loss through lack of investment advice, lack of diversity • cash flow difficulties arising from lack of liquidity 	<ul style="list-style-type: none"> • review and agree investment policy • obtain proper investment advice or management • consider diversity, prudence and liquidity criteria • implement adequate reserves policy • use regular performance monitoring
Compliance with donor imposed restrictions	<ul style="list-style-type: none"> • funds applied outside restriction • repayment of grant • future relationship with donor and beneficiaries • regulatory action 	<ul style="list-style-type: none"> • implement systems to identify restricted receipts • agree budget control, monitoring and reporting arrangements
Fraud or error	<ul style="list-style-type: none"> • financial loss • reputational risk • loss of staff morale • regulatory action • impact on funding 	<ul style="list-style-type: none"> • review financial control procedures • segregate duties • set authorisation limits • agree whistle-blowing anti fraud policy • review security of assets • identify insurable risks

Environmental or external factors

Potential risk	Potential impact	Steps to mitigate risk
Public perception	<ul style="list-style-type: none"> • impact on voluntary income • impact on use of services by beneficiaries 	<ul style="list-style-type: none"> • communicate with supporters and beneficiaries • ensure good quality reporting of the charity's activities and financial situation

Potential risk	Potential impact	Steps to mitigate risk
	<ul style="list-style-type: none"> • ability to access grants or contract funding 	<ul style="list-style-type: none"> • implement public relations training/procedures
Adverse publicity	<ul style="list-style-type: none"> • loss of donor confidence or funding • loss of influence • impact on morale of staff • loss of beneficiary confidence 	<ul style="list-style-type: none"> • implement complaints procedures (both internal and external) • agree proper review procedures for complaints • agree a crisis management strategy for handling - including consistency of key messages and a nominated spokesperson
Relationship with funders	<ul style="list-style-type: none"> • deterioration in relationship may impact on funding and support available 	<ul style="list-style-type: none"> • ensure regular contact and briefings to major funders • report fully on projects • meet funders' terms and conditions
Demographic consideration	<ul style="list-style-type: none"> • impact of demographic distribution of donors or beneficiaries • increasing or decreasing beneficiary class • increasing or decreasing donor class 	<ul style="list-style-type: none"> • profile donor base • profile and understand beneficiary needs • use actuarial analysis to establish future funding requirements

Compliance risk (law and regulation)

Potential risk	Potential impact	Steps to mitigate risk
Compliance with legislation and regulations appropriate to the activities, size and structure of the charity	<ul style="list-style-type: none"> • fines, penalties or censure from licensing or activity regulators • loss of licence to undertake particular activity (see operational risks) • employee or consumer action for negligence • reputational risks 	<ul style="list-style-type: none"> • identify key legal and regulatory requirements • allocate responsibility for key compliance procedures • put in place compliance monitoring and reporting • prepare for compliance visits • obtain compliance reports from regulators (where appropriate) - auditors and staff to consider and action at appropriate level
Regulatory reporting requirements: Financial and other reporting requirements will be dependent on how the charity is constituted and may also vary according to funding arrangements	<ul style="list-style-type: none"> • regulatory action • reputational risks • impact on funding 	<ul style="list-style-type: none"> • review and agree compliance procedures and allocation of staff responsibilities
Taxation	<ul style="list-style-type: none"> • penalties, interest and 'back duty' assessments • loss of income eg failure to utilise gift aid arrangements 	<ul style="list-style-type: none"> • review PAYE compliance procedures • review VAT procedures • file timely tax returns • understand exemptions and reliefs

Potential risk**Potential impact****Steps to mitigate risk**

- loss of mandatory or discretionary rate relief
- failure to utilise tax exemptions and reliefs

- available (direct tax and VAT)
- take advice on employment status and contract terms and tax
- implement budget and financial reporting identifying trading receipts, and tax recoveries

Change Record

Date of Change:	Changed By:	Comments:
dd/mm/yy	XX	Policy approved by the Trustees