Risk Management Policy Update

Contact Name and Details	Doug Swanney, Connexional Secretary, swanneyd@methodistchurch.org.uk; Louise Wilkins, Conference Officer for Legal and Constitutional Practice, wilkinsl@methodistchurch.org.uk
Status of Paper	Final
Action Required	Decision
Resolutions	95/1. The Council receives the report. 95/2. The Council approves the updated Risk Management Policy. 95/3. The Council approves the updated Corporate Risk Register.

Summary of Content

Subject and Aims	To provide the Council with an updated risk management policy and an amended Corporate Risk Register.
Main Points	• Audit processes require regular review of risk management policies and procedures • Updated Risk Management Policy and Corporate Risk Register supplied to the Council for review
Background Context and Relevant Documents (with function)	MC/14/90 (First version of Risk Management Policy)
Consultations	Senior Leadership Group of the Connexional Team; Conference Officer for Legal and Constitutional Practice

Summary of Impact

Financial	Risk management helps to minimise the financial implications of a risk that occurs.
Legal	A number of risks relate to legal obligations
Risk	Approach outlined in policy

Risk Management Update

1   The Methodist Council in 2014 approved a Risk Management policy (MC/14/90) following recommendations arising from internal audit work. In accordance with subsequent recommendations from our auditors, the Senior Leadership Group of the Connexional Team regularly reviews systems of internal control, part of which includes reviewing and updating the Risk Management Policy. The policy has now been updated in consultation with the Conference Officer for Legal and Constitutional Practice and is now supplied to the Council for approval.

2   The key changes made to the policy since MC/14/90 are:

- Further detail on how risk registers will be used in analysing the risks facing the church, including the use of the 'Corporate Risk Register' containing wider risks borne by the church which the Council adopted at [insert reference]
- Details of the Heat Matrix scoring system explaining how the priority of risks are scored on both the Connexional Team Risk Register and the Corporate Risk Register.
- Clarification of where risk management responsibilities lie. E.g. with the Council/SRC/ Finance Sub-Committee /Audit Committee/Senior Leadership Group of the Team, and annual cycle of reporting to these groups
- Inclusion of insurance as a factor in mitigating risk
- Provision for the Council to review the policy on an annual basis to review its effectiveness.

3   The Council is now requested to approve the updated policy.

4   The Corporate Risk Register has also recently been updated as the risk around reputational damage have been developed by adding a number of control measures and further actions relating to safeguarding processes. The Corporate Risk Register is also supplied to the Council for review.

***RESOLUTIONS

95/1. The Council receives the report.

95/2. The Council approves the updated Risk Management Policy.

95/3. The Council approves the updated Corporate Risk Register.

Risk Management Policy

Introduction

Effective risk management is fundamental to maintaining and developing the mission of the Methodist Church and ensuring the Methodist Council is provided with a means to control risk within its strategic planning and priorities. The Methodist Council is the key governance body for overseeing risk management for the activities of the Connexional Team, and is the employer of the Connexional Team.

Purpose

This policy ensures that the Council makes every effort to manage risk appropriately by maximising potential opportunities whilst minimising the adverse effects of risks. The policy shall be used by the Council to support the internal control systems of the Connexional Team. The policy should enable the Connexional Team to respond to operational and compliance risks, and the Council to respond to strategic, external and financial risks.

This policy shall establish a consistent framework and protocol for determining the Council's appetite for and tolerance of risk as well as setting out how the Connexional Team should manage risk.

This policy shall assign accountability to members of the Connexional Team for managing risks within the Team's control, and provide a structured process for risk to be considered, reported and acted upon throughout the organisation.

Statement

Risk management will form an integral part of the Council's decision-making process and part of the day to day decision making of the Connexional Team. Risk management shall be incorporated within strategic and operational planning by the Council and the Team.

Risk management shall form part of the decision making process whenever the Council is considering new activities of the Connexional Team or the adoption of new policies.

All risks and opportunities shall be identified, analysed and reported at an appropriate level.

Risk Appetite

> Risk Appetite is the amount of risk that the Council is willing to accept. The Council shall minimise the likelihood of a risk occurring and its impact whenever possible but shall not take steps that impede the ability of the Connexional Team to resource the Church in furthering its mission.

> The Council recognises that taking risks is vital when seeking to communicate the Gospel, and that the Methodist Church was founded because of risks taken by John Wesley.   The Council therefore embraces any risk which seeks to advance the objectives of the Methodist Church whilst ensuring that those risks that might have a negative impact on finances, reputational or personnel, will be avoided or minimised.

> Prior to any risk being accepted, full consideration must be given as to the likelihood of the risk occurring and the impact on the Church or the Connexional Team if the risk were to

occur. Any risk that seriously threatens the ability of the Methodist Church now or in the future to communicate the Gospel will not be acceptable. If such a risk cannot be extinguished then all steps will be taken to minimise the likelihood of the risk occurring.

The table below sets out the key factors for the Council when assessing its appetite to risk. The descriptors used under this approach are given at Annex A. This is not meant to be prescriptive as the risks faced by the Council vary greatly in their likelihood and impact.

Key Drivers of Organisation (main factors and resource areas for risk management)	Risk Appetite
1. Health , Safety and Welfare (inc Safeguarding)	Zero
2. Improving Income Diversification	High
3. High quality Services	Low
4. Maximising staff potential	Moderate
5. Achieving the financial plan and Headline Funding Targets	Low
6. Compliance with legislation	Zero
7. Working with others/Partnerships	Moderate
8. Effective Management of Connexional property and assets	Moderate

Annex A - Risk Appetite Descriptors

Assessment	Description of potential effect
Very High Risk Appetite	accepts risks that are likely to result in reputation damage, financial loss or exposure, major breakdown in services, information systems or integrity, significant incidents of regulatory and / or legislative compliance, potential risk of injury to staff / service users
High Risk Appetite	willing to accept risks that may result in reputation damage, financial loss or exposure, major breakdown in services, information systems or integrity, significant incidents of regulatory and / or legislative compliance, potential risk of injury to staff / service users.
Moderate Risk Appetite	willing to accept some risks in certain circumstances that may result in reputation damage, financial loss or exposure, major breakdown in services, information systems or integrity, significant incidents of regulatory and / or legislative compliance
Low Risk Appetite	not willing to accept (except in very exceptional circumstances) risks that may result in reputation damage, financial loss or exposure, major breakdown in services, information systems or integrity, significant incidents of regulatory and / or legislative compliance.
Zero Risk Appetite	not willing to accept risks under any circumstances that may result in reputation damage, financial loss or exposure, major breakdown in services, information systems or integrity, significant incidents of regulatory and / or legislative compliance

Risk Register

A 'Corporate' Risk Register listing broad risks facing the Methodist Church, shall be owned by the Conference and delegated to the Council for ongoing maintenance and monitoring. The corporate register shall be reviewed annually by the Council and the register reported to the Methodist Conference.

A 'Connexional Team Risk Register' shall be prepared by the Senior Leadership Group through the identification and assessment of risks to the work of the Team and ongoing monitoring of risks significant to the Team. The Team register shall be presented to the Strategy & Resources Committee annually. The Senior Leadership Group shall on a quarterly basis review the Team register and highlight any emerging risks and determine the likelihood of the risks and how best to mitigate them. The Team register shall be updated in the light of the existence of the corporate register and those risks contained within.

Categories for the Risk Register

There are five different risk categories:

Risk Type	Examples
Strategic Risks	- inappropriate organisational structure - committees lacks relevant skills or commitment - conflict of interest
Operational Risks	- poor staff recruitment and training - data lost due to insecure device management - IT firewalls do not provide adequate security - conditions in server room present a health & safety risk or potential fire hazard
Financial Risks	- inadequate reserves and cash flow - movements between different account codes are not scrutinised, which could conceal error or fraud - errors, omissions and inappropriate transactions are not identified and acted upon
External Risks	- changing government policy - turbulent economic or political environment - bomb threats.
Compliance Risks	- acting in breach of trust - poor knowledge of legal responsibilities; - poor knowledge of regulations and procedures

Heat Matrix Schedule – scoring of risks

Impact:

Descriptor	Score	Impact on service and reputation
Insignificant	1	No impact on service No impact on reputation Complaint unlikely Litigation risk remote
Minor	2	Slight impact on service Slight impact on reputation Complaint possible

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		Litigation possible
Moderate	3	Some service disruption Potential for adverse publicity – avoidable with careful handling Complaint probable Litigation probable
Major	4	Service disruption Loss of Lead Staff Adverse publicity not avoidable (local media) Complaint probable Litigation probable
Catastrophic	5	Service interrupted for significant time Major adverse publicity not avoidable (national media) Major litigation expected Resignation or dismissal of senior management Loss of beneficiary (Conference and membership) confidence

Likelihood:

Descriptor	Score	What is the likelihood that this could happen?
Remote	1	May only occur in exceptional circumstances
Unlikely	2	Expected to occur in a few circumstances
Possible	3	Expected to occur in a some circumstances
Probable	4	Expected to occur in many circumstances
Highly Probable	5	Expected to occur frequently and in most circumstances or has occurred before

When you have identified the likelihood you multiply it by the impact. This will give you the total score of the risk.

		Example
Scored 1	Very low risk	Impact 1 x Likelihood 1 = total risk of 1
Scored 2 to 5	Low risk	Impact 2 x Likelihood 2 = total risk of 4
Scored 6 to 9	Moderate risk	Impact 3 x Likelihood 3 = total risk of 9
Scored 10 to 16	High risk	Impact 4 x Likelihood 4 = total risk of 16
Score above 16	Very high risk	Impact 5 x Likelihood 5 = total risk of 25

Assessment of risk – 'The Heat Matrix'

Impact		Likelihood				
5		(green)	(orange)	(orange)	(red)	(red)
4		(green)	(yellow)	(orange)	(orange)	(red)
3		(green)	(yellow)	(yellow)	(orange)	(orange)
2		(green)	(green)	(yellow)	(yellow)	(orange)
1			(green)	(green)	(green)	(green)
		1	2	3	4	5

Responsibilities for Risk Management

Members of the Council and Lead Staff of the Connexional Team shall be provided with training on risk management and be clear on their role and responsibilities in implementing the risk management policy.

The Council shall encourage self-accounting entities that report to it or to the Conference and those that form part of the Church's consolidated accounts to have effective risk management frameworks and protocol.

The Council shall also review this policy annually to review its effectiveness.

The Council shall:-
- set the risk appetite and tolerance and outline this in its risk management policy
- ensure risk management is embedded in the day to day working of the Connexional Team;
- approve major decisions affecting the Connexional Team's risk profile or exposure
- satisfy itself that identified risks are being actively managed, with the appropriate controls in place and working effectively
- make decisions that reflect its appetite for risk
- identify a 'Risk Champion' to lead on risk management within the Connexional Team
- annually review the risk management policy
- annually review the corporate risk register.
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Strategy and Resources Committee shall:-
- Annually review the risk register for the Connexional Team

The Audit Committee shall:-
- report to the Council on internal controls and shall alert the Council to any emerging issues
- oversee internal audit and external audit and report to the Council its monitoring of risks identified by the internal or external audit process
- Advise the Council on the effectiveness of the internal control system, including the Team's system for the management of risk.

The Senior Leadership Group shall:-
- ensure the Connexional Team receive risk management training
- lead the embedding of risk management throughout the Connexional Team and encourage forward planning to assess potential future risks
- administer and implementation of risk management within the Team
- meet quarterly as a Risk Management Group to review the Team Risk Register in light of this policy and identify any new risks and remove any risks that have cease to exist
- When meeting as the Risk Management Group identify and evaluate the significant risks faced by the Team through a Risk 'Heat Matrix' which determines Gross and Residual\Net Risk and set targets for the status of risks. The Heat Matrix used to determine scoring of risks is set out in the schedule below
- provide adequate information in a timely manner to the Council and its Committees on the status of risks and control
- Identify whether any risks can be insured against and if so, obtain insurance quotes and report these to the SRC Finance Sub-Committee for a decision.

The Connexional Team shall:-
  - report any new risks that arise or are identified or those that might have ceased to exist to their line manager or the Risk Champion for passing to the Senior Leadership Group
  - Understand the purpose of risk management and undertake its work in the knowledge

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of the Council's risk appetite
- The Connexional Secretary will act as the Team's 'Risk Champion' and report on risk management to each meeting of the Audit Committee.

Steps to Minimise Risks identified on the Register

Internal Controls

Risk management is part of the system of internal control. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the Team to respond to a variety of operational, legal, financial and commercial risks. In order to minimise risks the Council shall ensure that appropriate policies and procedures are in place and that it receives regular reports on the monitoring and controls in place of significant risks.

The policies and procedures that exist are:-
- Insurance
- Anti- Bribery
- Fraud
- Data Protection
- Staff Handbook
- IT security
- Whistleblowing

Insurance
Insurance shall be a key means by which the Council can limit or remove the financial implications of risks.

The Senior Leadership Group shall identify whether identified risk can be insured against. The Senior Leadership Group shall seek professional advice on whether a risk can be insured against and if so, the insurance costs. The Senior Leadership Group shall report to the SRC Finance Sub-Committee any insurable risks with the cost of insuring against them.

The SRC Finance Sub-Committee will assess whether insurance should be obtained when weighing up the likelihood of the risk occurring, the potential impact if the risk if it were to occur and the cost of the insurance. The Finance Sub-Committee shall report to the Strategy and resources Committee any decisions it takes on insurance.

The Council accepts that not all risks can or should be insured against and delegates the decision for what to insurance against to the Strategy and Resources Committee who shall act upon the advice of the Finance Sub-Committee.

Audit
Internal Audit Programme
Internal audit is an important element of the internal control process. The Strategy and Resources Committee shall receive regular reports on the recommendations of the internal auditors and the steps being taken to respond to those recommendations.

External Audit
The external auditors undertake a review of the accounts in accordance with the statutory requirements placed on charities and report to the Audit Committee on the operation of the internal financial controls.

Professional Advisers

The use of external advisers shall be utilised whenever a risk is identified that is not within the specialism or knowledge of the Team. Professional advice shall be utilised to identify the extent of the risk identified, the likelihood of the risk occurring, the impact on the Team and its ability to resource the Church. Specialist advice shall also be utilised to minimise or remove a risk.

Annual Cycle of Risk Management

- Senior Leadership Group to meet once a quarter as Risk Management Group during the following months: July, November, February, May

- An annual review of the Team Register, Risk Management Policy, and the wider systems of internal control, to take place in the July Risk Management Group meeting

- An annual report to the SRC in September (in the form of a verbal update from the Connexional Secretary)

- An annual report to the Council in October to be included as part of a general update from the Connexional Team (by the Connexional Secretary)

- An annual update to the Audit Committee takes place in October/November in the form of a short paper (Connexional Secretary is responsible and will delegate to the Head of Support Services where appropriate)

- Risk Management discussions held by the Lead Staff of the Connexional Team in April (Connexional Secretary will arrange)

- A presentation on risk management to take place at the Connexional Team meeting in May (Connexional Secretary will arrange)