

Risk Management Policy

Policy Sponsor	Corporate Director Business Services
Policy Owner	Director of Audit and Assurance
Date Approved	Board of Trustees – May 2023
Date for review	Annually in line with Charity Governance Code
Distribution	To be published internally.

1. Purpose

This policy:

- Is a formal acknowledgement that the Board of Trustees (Board) is committed to maintaining and maturing a strong risk management framework and that Barnardo's makes every effort to manage risk appropriately by maximising potential opportunities whilst minimising the adverse effect of risk.
- Must be used to support the internal control systems of Barnardo's, enabling the charity to respond appropriately to risks whether they are internally or externally driven.

This policy aims to:

- Confirm and communicate the charity's commitment to risk management.
- Establish a consistent framework and protocol for managing risk and
- Assign accountability to management and staff for risks within their control and provide a structured process for risk to be considered, reported, and acted upon throughout the organisation.

2. Scope

This policy applies to directly to the charity and all subsidiaries.

3. Policy

The Board and Corporate Leadership Team (CLT) of Barnardo's believe that sound risk management is integral to both good management and good governance practice.

Risk management must always form an integral part of Barnardo's decision-making process and support its approach to strategic and operational planning.

Risk assessments must be conducted on all new activities and projects to ensure they are in line with the charity's objectives and mission. Any risks or opportunities arising will be identified, analysed, and reported at an appropriate level.

A corporate risk register covering the significant strategic and corporate risks will be maintained, regularly updated, and is informed by the operational risk registers provided by the risk owners.

Barnardo's is committed to ensuring that all Trustees, employees and volunteers of Barnardo's are provided with appropriate guidance and training on the principles of risk management relevant to their roles and responsibilities.

The charity will regularly review and monitor the effectiveness of its risk management framework and update it as considered appropriate.

Reports will regularly be provided to the Board and CLT on continuing and emerging high concern risks and those where priority action is needed to effect better control.

4. Definitions and Key Concepts

Risk - is something uncertain, it might happen, or it might not. A risk matters where if it happens it will have an effect on delivery of our objectives.

Risk management – an activity to identify and then control a level of risk. Effective risk management will help optimise outcomes and ensure our objectives are achieved successfully.

Internal controls and mitigations – a control is a specific action that will reduce the likelihood of a risk occurring and to mitigate a risk is to make the impact of it less severe e.g. policies and procedures.

Risk Appetite is the amount and type of risk which we are willing actively to accept or engage with in order to achieve our long-term objectives.

Risk culture – the values, beliefs, knowledge, attitudes and understanding about risk within Barnardo's.

Operational risk management (ORM) is a process focused on identifying, assessing, prioritising, and mitigating risks that arise from an organisation's day-to-day operations and processes. It involves the systematic process of understanding, managing, and monitoring risks to minimise the potential negative impact on an organisation's objectives and outcomes.

5. Cross-functional risk management (Horizontal) involves identifying, assessing, and mitigating the potential threats and opportunities that arise from the interactions and dependencies between different functions and levels. **Roles and Responsibilities**

Everyone involved in Barnardo's plays an important role in risk management and risk is not the sole responsibility of CLT.

Specific responsibilities include:

Roles	Responsibilities
Board of Trustees	<ul style="list-style-type: none"> • To ensure that a culture of risk management is embedded throughout the charity. • To determine the risk appetite for Barnardo's. • To ensure risk management is included in the development of business plan, budgets and when considering strategic direction. • To approve major decisions affecting Barnardo's risk profile or exposure.

	<ul style="list-style-type: none"> • To review and monitor the effectiveness of Barnardo’s risk management and internal control arrangements. • To be satisfied that assurance demonstrates that risk has been identified, assessed and all reasonable steps taken to manage it effectively and appropriately. • To endorse any risk-related disclosure documents.
Risk Committee	Supports the Board of Trustees in reviewing the adequacy and effectiveness of Barnardo’s risk management and internal control arrangements.
CEO and Corporate Leadership Team (CLT)	<ul style="list-style-type: none"> • Responsible for ensuring that effective risk management practice and culture is implemented throughout the organisation. • To anticipate and consider emerging risks and to keep under review the assessed level of likelihood and impact of existing key risks. • Provide regular and timely information to the Board on the status of key risks and their mitigation; and • To implement adequate mitigation in responding to significant risks; to learn from previous experiences and to ensure that crisis management plans are robust.
Risk owners	<p>The individual who is ultimately accountable for ensuring the risk is managed appropriately and their operational risk register is kept current. Responsibilities include:</p> <ul style="list-style-type: none"> • Ensuring proportionate policies and associated procedures are implemented and reviewed at regular intervals and remain appropriate in the light of emerging best practice. • The policy is appropriately implemented and enforced. • The Risk Committee receives relevant and timely information to assist in its oversight and monitoring of the policy; and • Appropriate training/awareness is provided to all Trustees, employees and volunteers. • Ensuring that operational risk registers are in place, maintained and regularly reviewed for all directorates or thematic areas of risk. This process is supported by and jointly owned by relevant Directors and Head of services across the Charity. In particular this will involve: <ul style="list-style-type: none"> • Identifying significant risks for the relevant Directorate/ Region/ Nation. • Collaborating with other areas to ensure effective Cross-functional risk management. • Ensuring risks are managed in line with our risk appetite and tolerance levels set by the Board. • If risks are outside accepted tolerance ensuring action plans are in place to manage risks to

	required level or for escalating risk to the Corporate Risk Register.
Director of Audit and Assurance	Senior leader providing risk management guidance and support to the charity. On a regular basis consolidates all the significant risks from risk owners and prepares the corporate risk register. Has an independent reporting line into the Chair of the Risk Committee and the CEO.
Line Managers	To ensure that all their employees (including volunteers) undertake the training/are made aware of the requirements of the policy as part of induction and at agreed frequencies thereafter. Responsible for implementing the policy within their operational areas and for adherence by staff they line manage.
All Trustees, employees & volunteers	To comply with this policy and engage in any relevant training at appropriate intervals. Report emerging risks, incidents asap and adhere to all policies and procedures designed to minimise risks
Audit & Assurance	Independently review adherence to this policy and associated processes and procedures across the charity.

6. Procedures

Interaction with internal controls

Barnardo's has adopted the common approach to managing risk known as the three lines of defence.

Under the first line of defence, operational management has ownership, responsibility, and accountability for directly assessing controlling and mitigating risks including implementing proportionate policy and procedures. Internal controls form part of this framework and aims to protect our assets, ensure financial reporting is robust and we comply with regulations.

The second line of defence consists of management oversight and business services /governance (compliance, risk, finance, legal). This line of defence monitors and facilitates the implementation of effective risk management practices and assists risk owners in reporting adequate risk related information up and down the organisation.

The third line is strategic and independent oversight or often collectively referred to as audit or assurance (as discussed further below in section 8).

Identification, assessing and evaluating

Everyone has responsibility to assist with identification of any potential risks and it is noted that no process can identify all possible risks that may arise. Potential risks should be reported to line management or to the Risk Owner.

Identified risks need to be put into perspective in terms of the potential severity of their impact and likelihood of their occurrence. Assessing and categorising the risk helps prioritise them and to ensure focus is given to all major risks. Barnardo's principal tool for recording risks is the risk register. Appendix 1 provides further details and a link to the risk register template.

When major risks are identified, and the risk is beyond the approved appetite level there are four basic strategies to manage risk:

- Terminate – Avoid the risk by deciding not to start or continue with an activity.
- Transfer - the financial consequence to third parties or sharing it, usually through insurance or outsourcing.
- Treat – introduce controls to limit the likelihood or consequences.
- Tolerate – accept the risk.

Risk management is aimed at reducing risk to an acceptable level after appropriate action has been taken. It is possible that current or proposed control processes are disproportionately costly when compared to the risk, they are there to manage. A balance needs to be struck between cost of further action and the potential impact on reducing the risk. Guidance will be provided, where appropriate, in the risk appetite statement or by the Risk Owner.

Risk Appetite

The Board approves annually a Risk Appetite Statement which clearly sets out the amount and type of risk which we are willing actively to accept or engage with to achieve our long-term objectives.

When referring to appetite the approved definitions are:

Risk level/appetite	Description	Indicative risk score
Averse/none	Avoidance of risk and uncertainty is a key organisational objective.	1- 2
Minimal/low	We have a strong preference for safe/compliant options and accept this may limit our potential.	3-6
Cautious/limited	Preference for safe options that have a low degree of risk.	7-10
Open/high	Willing to consider all potential options and choose one most likely	12 -16

	to result in successful delivery.	
Hungry/significant	Eager to be innovative and choose activities that focus on maximising opportunities and offering potentially very high reward.	16+

Periodic monitoring and assessment

Risk management is not a one-off event. All parts of Barnardo's will, on a regular basis, review their identified risks and the controls put in place to manage those risks.

Reporting

CLT will ensure the Board is adequately informed of significant risk issues and actions undertaken to manage risks on a regular basis. Reporting processes in place include:

- A corporate risk register will be maintained. This is an amalgamation of the operational risk registers maintained by the risk owners.
- Operational risk registers will be maintained and reviewed at least quarterly for each Directorate/ Region/ Nation and for defined thematic areas of risk.
- Programme and project risks, and the controls put in place to manage them, will similarly be subject to regular review and reporting. These reviews will also include and enable the escalation and aggregation of those risks as appropriate so that they can be reported to and managed at the appropriate level within Barnardo's.
- Risk management performance indicators which may include the number of internal audit findings, timeliness of the remediation of any findings and any key risk event.
- The risk management disclosures required in the annual trustee report and audited accounts.

Risk escalation

Anyone concerned about an increase in a threat/risk should report it to their line manager or the Risk Owner. If that is likely to be uncomfortable, please contact the Director of Audit and Assurance for guidance.

7. Associated Legislation, Guidance, References and Documents

The requirements in this policy should be considered alongside the requirements of other Barnardo's policies and in particular:

- Barnardo's Risk Appetite Statement
- Whistleblowing Policy

8. Compliance and Oversight

In addition to the compliance and oversight arrangements set out under Roles and Responsibilities, the following applies:

The Risk Owner will ensure that management information demonstrating adherence to and compliance with this policy is produced and provided to relevant parties as required and on request complete a business self-assessment.

The Audit and Assurance team will periodically and independently review adherence to and compliance with this policy and associated procedures and processes across the Charity in line with their approved audit plans.

9. Version History

Document History	Date	Author	Comments	Approval
1.0	July 2019	Risk & Compliance Manager	New policy	Board of Trustees
2.0	April 2021	Risk & Compliance Manager	Review following effectiveness evaluation	Risk Committee – April 2021 Board of Trustees – May 2021
3.0	March 2022	Internal Audit Manager	Reviewed in line with annual review cycle	Risk Committee – April 2022 Board of Trustees – May 2022
4.0	April 2023	Head of Internal Audit and Operational Risk	Reviewed in line with annual review cycle	Risk Committee – April 2023 Board of Trustees – May 2023
5.0	May 2024	Head of Internal Audit and Operational Risk	Reviewed in line with annual review cycle	Risk Committee – Jun 2024

Appendix 1 - Assessing and Scoring risks

How likely is the risk to occur?

If a risk is very unlikely to occur, you will probably be much less concerned than if it almost certainly will.

What would the impact be?

Remember there might be various consequences of a risk occurring (and some may be positive) and they may impact on more than one objective.

Risk Score

Impact	Extreme/Catastrophic	5	5	10	15	20	25
	Major	4	4	8	12	16	20
	Moderate	3	3	6	9	12	15
	Minor	2	2	4	6	8	10
	Insignificant	1	1	2	3	4	5
			1	2	3	4	5
			Rare	Unlikely	Possible	Probable	Certain
			Likelihood				

Red - major or extreme/catastrophic risks

Amber - moderate or major risks

Green - minor or insignificant risks

What does the score mean?

Likelihood	Certainty	Probability
Certain / Very high (5)	Almost certain	between 90% and 100% in the next 12 months
Probable / High (4)	More likely than not	between 50% and 90% in the next 12 months
Possible / Medium (3)	Fairly likely	between 25% and 50% in the next 12 months
Unlikely / Low (2)	Unlikely	between 5% and 25% in the medium term
Rare/ Very low (1)	Extremely unlikely	<5% in the medium term or in exceptional circumstances

Level of impact	Strategic	Operational	Financial (loss of income, potential claims, or litigation)	Reputational	Compliance
(5) Extreme/ Catastrophic one or more of:	Would require a fundamental change in organisational strategic/ critical objectives.	Fundamental organisational changes would need to be implemented. Extreme adverse impact on service provision. Delay of 1 year + in delivery of key project.	If the risk materialised the cost to the charity would be greater than £>20m million.	Significant and irreparable damage to reputation. Sustained negative publicity resulting in loss of public confidence in the charity.	Serious breach of external governance regulations that would lead to status of the charity being reviewed.
(4) Major one or more of:	Would require a significant shift from organisational strategy/critical objectives that would require Board input.	A significant amount of work would need to be done at all levels to resolve the matter. Major adverse impact on service provision. Delay of 6-12 months delivery on a key project.	If the risk materialised the cost to the charity would be between £5 million and £20 million.	Significant and irreparable damage to reputation. High negative impact on the charity's reputation. Could impact on charity's ability to influence public/politicians. Generates a significant number of complaints.	Significant breach of governance regulation requiring immediate notification of regulatory bodies.
(3) Moderate one or more of:	Would impact on the organisational strategic/ critical objectives and would require management discussion.	A significant amount of work would be required by a team to repair operational systems or service provisions. Delay of 3-6 months in delivery of a key project.	If the risk materialised the cost to the charity would be between £0.5m and £5m.	Minor damages but widespread. Significant localised low-level negative impact on the charity's reputation/ generates limited complaints.	Breaches governance regulations and would require significant work to rectify.
(2) Minor one or more of	May have an impact on achieving organisational strategy but this could be resolved.	Low level processes or minor impact on services would need to be revised but the matter could be resolved. Delay of 1-3 months in the delivery of a key project.	If the risk materialised the cost to the charity would be between £50k and £500k.	Minor damages in a limited area. May have localised, low level negative impact on the charity's reputation/ generates low level of complaints.	May breach low level governance regulations but can be rectified.
(1) Insignificant one or more of:	Little impact on the organisational strategy.	Has no impact on the day-to-day operation of the charity. Less than 1 month's delay in delivery of project	If the risk materialised the cost to the charity would be no more than £50k.	Has no negative impact on the charity's reputation/no media interest.	No impact on the charity's governance structures.

Link to risk tool

[Risk management | Inside Barnardos](#)