

Policy Name: Charities and Risk Management Policy

Policy No: 106

BOARD Approval Date: 26.02.2025

Review Date: As required

QB Policy Framework Area Reference: 9. Charitable Frameworks

This policy applies to Quantin Binnah Community Centre; herein to be referred to as The Organisation or The Service.

NQS

QA4	4.2	Professionalism	Management, Educators, and staff are collaborative, respectful and ethical
	4.2.1	Professional collaboration	Management, Educators, and staff work with mutual respect and collaboratively, and challenge and learn from each other, recognising each other's strengths and skills
	4.2.2	Professional Standards	Professional standards guide practice, interactions and relationships
QA7	7.1.1	Service philosophy and purpose	A statement of philosophy guides all aspects of the service's operations
	7.1.2	Management systems	Systems are in place to manage risk and enable the effective management and operation of a quality service.
	7.2.1	Continuous improvement	There is an effective self-assessment and quality improvement process in place.

National Regulations

Regs	168	Education and care service must have policies and procedures
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1. Policy Statement

Quantin Binnah will ensure effective identification and management of potential risks as a key part of the effective governance of its charitable purpose. By managing risk effectively, QB can ensure that:

1. Significant risks are identified and monitored, enabling the QB Board to make informed decisions and take timely action.

2. QB makes the most of opportunities and develops them with the confidence that any risks will be managed.
3. QB incorporates risk mitigation approaches into its strategic planning.
4. QB effectively achieves its charitable purpose.

2. Who is affected by this policy?

Vulnerable people which can include:

- Children
- Seniors
- people living with impaired intellectual or physical functioning
- people living with mental health issues
- people living in family violence situations
- people from a low socio-economic background
- people who are Aboriginal or Torres Strait Islanders
- people who are from culturally and linguistically diverse backgrounds
- people with low levels of literacy or education
- people subject to modern slavery, which involves human exploitation and control, such as forced labour, debt bondage, human trafficking, and child labour.

In addition, other parties effected by this policy can also include:

Children
Families
Funding Bodies
Community Members
Employees
Suppliers
Partners and Stakeholders
Volunteers and students
Management

3. Related Policies

Code of Conduct Policy
Ethical Fund-Raising Policy
Financial Control of Charities Policy
Fraud Risk Management Policy
Management of Food Donations Policy
Privacy and Confidentiality

Safeguarding Vulnerable People Policy
Transparency and Accountability Policy
Volunteers Policy
Well-Being and Mental Health Policy
Work Health and Safety Policy

4. Implementation

4.1 Types of Risks

Charities will face some level of risk in most of the things they do. The diverse nature of the sector and its activities means that charities face different types of risk and levels of exposure.

Generally, risk will need to be considered in terms of the wider environment in which QB as a charity operates. The financial climate, society and its attitudes, the natural environment and changes in the law, technology and knowledge will all affect the types and impact of the risks QB is exposed to.

Although the risks that QB might face as a charity are both financial and non-financial, however in most cases the ultimate impact of risk is financial. When reviewing and considering all risk, QB will evaluate its ability to continue to meet the needs of beneficiaries in the present and in the future.

The major financial risks, especially in period of economic uncertainty, are likely to be:

- termination of funding from other bodies
- the future of contracts
- fundraising from the general public
- fluctuations in investments
- an unforeseen rise in demand for their services
- escalating costs of insurances or any compensation for loss or cost incurred in avoiding or transferring risk

The following system of classification allows QB to ensure key areas of risk arising from both internal and external factors are considered and identified. Examples are provided of risks that may fall into each category.

Risk category	Examples
1. Governance risks	• inappropriate organisational structure • Board lacks relevant skills or commitment • conflicts of interest
2. Operational risks	• lack of beneficiary welfare or safety • poor contract pricing • poor staff recruitment and training • doubt about security of assets
3. Financial risks	• inaccurate and/or insufficient financial information • inadequate reserves and cash flow • dependency on limited income sources • inadequate investment management policies • insufficient insurance cover
4. External risks	• poor public perception and reputation • demographic changes such as an increase in the size of beneficiary group • turbulent economic or political environment • changing government policy
5. Compliance with law and regulation	• acting in breach of trust • poor knowledge of the legal responsibilities of an employer • poor knowledge of regulatory requirements of particular activities (eg fund-raising, running of care facilities, operating vehicles)

4.2 Risk Management Approach

The following risk management model will be implemented in the identification process and management of the risks that QB may face as a charity:

1. Establishing a risk management policy and a risk register

2. Identifying risks
3. Assessing risks (utilising a risk matrix)
4. Evaluating what action needs to be taken on risks
5. Periodic monitoring and assessment

Risk management has been incorporated into QB's management processes and risk management policies to ensure that:

- The identification, assessment and management of risk is linked to the achievement of the charity's objectives.
- All areas of risk are covered - for example, financial, governance, operational and reputational.
- A risk exposure profile can be created that reflects the Board's views as to what levels of risk are acceptable.
- The principal results of risk identification, evaluation and management are reviewed and considered.
- Risk management is ongoing and embedded in management and operational procedures.

This Risk Management Register will be systematically reviewed on 6-month basis and is also updated when an unexpected event/situation occurs.

4.3 Evaluating Actions to be Taken

Where major risks are identified, the Board are to ensure that appropriate action is taken to manage them effectively. To undertake this, a review should include assessing how effective the existing controls are that have been put in place.

For each of the major risks identified, the Board will need to consider any additional action that needs to be taken to manage the risk, either by lessening the likelihood of the event occurring, or lessening its impact if it does. The following are examples of possible actions:

- The risk may need to be avoided by ending that activity (e.g. stopping work in a particular country)
- The risk could be transferred to a third party (e.g. use of a trading subsidiary, outsourcing or other contractual arrangements with third parties)
- The risk could be shared with others (e.g. a joint venture project)
- The charity's exposure to the risk can be limited (e.g. establishment of reserves against loss of income, foreign exchange forward contracts, phased commitment to projects)

- The risk can be reduced or eliminated by establishing or improving control procedures (e.g. internal financial controls, controls on recruitment, personnel policies)
- The risk may need to be insured against (this often happens for residual risk, e.g. employer liability, third party liability, theft, fire)
- The risk may be accepted as being unlikely to occur and/or of low impact and therefore will just be reviewed annually.
- Once each risk has been evaluated, the Board can draw up a plan for any steps that need to be taken to address or mitigate significant or major risks. This action plan and the implementation of appropriate systems or procedures allows the Board to make a risk management statement in accordance with the regulatory requirements.

Risk management is aimed at reducing the 'gross level' of risk identified to a 'net level' of risk, in other words, the risk that remains after appropriate action is taken and is recorded in the Risk Register. The Board may need to form a view as to the acceptability of the net risk that remains after management.

In assessing additional action to be taken, the costs of management or control will generally be considered in the context of the potential impact or likely cost that the control seeks to prevent or mitigate. It is possible that the process may identify areas where the current or proposed control processes are disproportionately costly or onerous compared to the risk, they are there to manage. A balance will need to be struck between the cost of further action to manage the risk and the potential impact of the residual risk.

Good risk management is also about enabling organisations to take up opportunities and to meet urgent needs, as well as preventing disasters. For example, QB may not be able to take advantage of technological change in the absence of adequate funds or perhaps could not organise a successful emergency relief program without adequately trained staff and organisational structures.

4.4 Responsibility for Risk Management

The responsibility for the management and control of a charity rests with the Board of Governance and therefore their involvement in the key aspects of the risk management process is essential, particularly in setting the parameters of the process and reviewing and considering the results.

This should not be interpreted as meaning that the Board must undertake each aspect of the process themselves. The Board may delegate elements of the risk management process to staff or professional advisers. The Board should review and consider the key aspects of the process and results. The level of

involvement should be such that the Board can make the required risk management statement with reasonable confidence.

4.5 Legal Requirements as a Charity

QB are required by law to have their accounts audited and must make a risk management statement in their Board's annual report confirming that *'the charity's Board has given consideration to the major risks to which the charity is exposed and satisfied themselves that systems or procedures are established in order to manage those risks.'* (Charities Regulations 2008 (Accounts and Reports)).

Major risks are those risks that have a major impact and a probable or highly probable likelihood of occurring. If they occur, they will have a major impact on some or all the following areas:

- governance
- operations
- finances
- environmental or external factors such as public opinion or relationship with funders
- a charity's compliance with law or regulation

Any of these major risks and their potential impacts could change the way the Board, supporters or beneficiaries might deal with the charity.

4.6 Periodic Monitoring and Assessment

Risk management is a dynamic process ensuring that new risks are addressed as they arise. It is valuable to monitor cyclical risks as they occur to establish how previously identified risks may have changed. Risk management is not a one-off event and should be seen as a process that will require monitoring and assessment. Staff will need to take responsibility for implementation. There needs to be communication with staff at all levels to ensure that individual and group responsibilities are understood and embedded into the culture of the charity. A successful process will involve ensuring that:

- New risks are properly reported and evaluated.
- Risk aspects of significant new projects are considered as part of project appraisals.
- Any significant failures of control systems are properly reported and actioned.
- There is an adequate level of understanding of individual responsibilities for both implementation and monitoring of the control systems.
- Any further actions required are identified.
- The Board consider and review the annual process.
- The Board is provided with relevant and timely interim reports.

The method utilised by QB for codifying such an approach is through using a risk matrix as documented in the Risk Register. The register seeks to pull together the key aspects of the risk management process for QB. It schedules gross risks and their assessment, the controls in place and the net risks, and can identify responsibilities, monitoring procedures and follow up action required.

The Board can 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 Board's view of acceptable risk.
- Reviewing and considering the results of risk identification, evaluation and management.
- Receiving interim reports where there is an area needing further action.
- Considering the risks attached to significant new activities or opportunities.
- Regularly considering external factors such as new legislation or new requirements from funders.
- Considering the financial impact of risk as part of operational budget planning and monitoring

Due to our risk profile, monitoring of risks is undertaken every 6 months by the Board and is supplemented by any interim reports as required. Where operating conditions are not stable more frequent monitoring might be necessary.

4.7 Privacy and Data Protection

All personal information considered or recorded will respect the privacy of individuals involved. Quantin Binnah will protect personal information through the application of Quantin Binnah's Privacy and Confidentiality Policy.

5. Sources

- Australian Charities and Not-For-Profit Commission
- Australian Charities and Not-for-profits Commission (Consequential and Transitional) Act 2012
- [Australian Charities and Not-for-profits Commission Regulations 2022 \(Cth\)](#) (the ACNC Regulations)
- Charities Act 2013

6. Review

The policy will be reviewed as required. Review will be conducted by:

- Management

- Interested parties

Document Version Control:

No.	Date	Status
1.0	23/01/2025	New policy
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1.3	26/02/2025	Approved by Board