

*Parry Family
Charitable
Foundation*

Risk Management Policy ©

19 October 2015

Updated 10 Oct 2017

Date of constitution: 24 October 2014

Charity registered in England and Wales No. 1159701

1. Overview

This Risk Management Policy is significantly informed by the objectives, strategy, structure and nature of the Foundation.

Important considerations are the trustees' views of how the Foundation will operate for the foreseeable future (medium term plan) including to:

- have no staff.
- not actively fund raise but rely upon donations from the trustees, family and friends.
- only approve grants that are backed by cash deposits or readily realisable investments.
- invest funds in accordance with the Foundation's investment policy (see [Investment & Endowment Fund Policy & Management](#)) and hold cash at the Foundation's bank and/or stock brokers.

2. Legal & Regulatory Requirements

- The Foundation must comply with the Charities Act 2011
- Charities (Accounts and reports) Regulations 2008 (SI 2008 No. 629) set out the required form and content of the trustees' annual report and the scrutiny and accounting arrangements for charities. These regulations made the SORP recommendations that the trustees' annual report should contain a risk management statement a statutory requirement for certain charities.
- Under current law and regulation, the size and status of the Foundation removes the requirement to produce a Risk Management Policy and enclose a statement in its Annual Return. However Trustees consider it good practice to have a Risk Management Policy supported by effective operational risk procedures. Therefore they have elected to have a risk policy and make suitable declarations in the Annual Return.
- The following statement would be included in the Annual return:

"The trustees have 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 (Accounts and Reports) Regulations 2008)"

- FRS 102 SORP applies as relevant.

3. Managing & Dealing with Risk

- The trustees have undertaken a risk assessment taking into account the following:
 - Constitution and in particular the Foundation's powers and scope of activities.
 - Foundation's medium term plans (c.next five years).
 - decisions taken by trustees about how the Foundation will operationally deliver its objectives and strategy including having no staff and constraining the breadth of activities.
 - helicopter view of the Foundation's approach and operations given the limited appropriate benchmarking.
 - risks are neither static nor mutually exclusive and therefore an assessment of volatility has been embraced.
- Use has been made of appropriate evaluation matrices (see table 3)
- The majority of risks cannot be eliminated nor their nature influenced. However it is prudent to understand the risks and put in place procedures to manage them focusing on reducing the probability of occurrence and severity of impact. Additionally procedures, where possible, have been developed to deal with and mitigate the impact from risks that materialise.
- Some risks that would normally confront many charities do not arise because they do not form part of the Foundation's operational activities e.g. trading. Other operations which are within the Constitution powers do not currently arise because the decision has been taken to defer taking up such

- opportunities e.g. fund raising. If the trustees in the future decide to make use of these powers the risks will be assessed.
- ❑ Dealing with residual risk through insurance or offloading to a third party have been considered but rejected. The assessment of risk against reward is a key consideration. For example, retaining investment managers can be expensive and given these skills exist within the trustees, it was decided to manage the Endowment Fund internally. These arrangements will be reviewed regularly.
 - ❑ Two key risks that would have the greatest impact on the Foundation are part of the fabric of being a grant making charity namely:
 - changes in law and regulation particularly concerning the tax advantages afforded to charities. For the trustees' approach on this risk see Table 2: Risk Areas.
 - world events that have a direct impact on the investment environment. See both tables 1 & 2 for the trustees' assessment.
 - ❑ Although donations currently come exclusively from trustees, the constitution gives much wider powers to raise funds and although this option is not ruled out it is unlikely to be triggered in the short term. The trustees have left in their wills substantial legacies to the Foundation. It is possible that annual donations may not keep pace with the trustees' aspirations for building a robust endowment fund and undertaking a meaningful grant programme. This does not present any commitment risk but would mean a repositioning of the annual grant programme and scale of the Foundation's operation.
 - ❑ The Risk Management Policy is a living document and will be reviewed regularly and initially no less frequently than annually.

4. Lead Manager

- ❑ Trustees have the ultimate responsibility for risk management and will review procedures and risk assessment at least annually.
- ❑ It has been decided to appoint a trustee as the lead manager dealing with risk management. Trustees will review this position annually.
- ❑ The current lead manager is trustee **David Parry**.

5. Tables

- ❑ Table 1: Risk Register. An output from the Risk Areas assessment, this table records identified risk challenges.
- ❑ Table 2: Risk Areas. This table is the current assessment of risk areas across the Foundation's constitution and operations taking into account the plans over the medium term (c. next 5 years)
- ❑ Table 3: Matrices used to size risk element

Table 1: Risk Register

Date Last Reviewed

10-Oct-17

Risk Headings	Risk ID 1	Risk ID 2	Risk ID 3
Risk Description	Security of Cash & Investments	Poor Return on Investments	over dependence on few key trustees
Likelihood of occurrence	possible	possible	probable
Impact Severity	significant	moderate	moderate
Gross Risk	medium	medium	medium
Controls	1.investment policy set by trustees 2.annual trustee review 3.cash held by bank and/or broker kept at or below FSCS max unless approved by trustees 4.All investments made through a UK based stock broker supervised by UK authorities and using a nominee account approach for client funds 5. Invest in Investment Trusts, ETFs or similar shares quoted on recognised stock exchanges 6.Invest in Unit Trusts, OEICS or similar registered and supervised by UK or EU authorities 7. Investments outside 5 & 6 above must be approved by trustees	1.investment policy set by trustees 2. annual trustee review 3.investment portfolio with a low/moderate risk profile through major use of pooled funds with a broad geographical spread 4. limited impact on grant programme which is based on available funds with strict forward commitments	1. detailed procedures 2. annual review by trustees
Volatility	low	medium	medium
Net Risk	low	low	medium/low

Monitoring	1.annual trustee review 2.trustees have full access to all investment and banking records through a cloud based facility		1.annual trustee review
Lead Responsibility	Treasurer Trustee	Treasurer Trustee	Chairman
Trustee Responsibility	yes	yes	yes
Action	1.annual review by trustees 2.annual sign-off of Annual Report & Accounts 3. any trustee can call a review meeting at any time	1.annual review by trustees 2.annual sign-off of Annual Report & Accounts 3. any trustee can call a review meeting at any time	1. trustee training to have two trustees competent in key functions 2. ensure procedures are adequate 3. annual review by trustees taking account of increasing size and complexity of the Foundation
Review date	Annually	Annually	Annually

Table 2: Risk Areas

Date Last Reviewed

10-Oct-17

ID	Risk Category	Risk potential	Impact	Actions	Risk Register
1	governance	trustee body lacks skills or commitment	1. poor decision making 2. poor value for money	1. trustees appointed for fixed terms 2. annual review of trustee performance and future commitment 3. detailed procedures to aid trustees 4. fall back in some areas to outsource	no

2	governance	over dependence on few key trustees	<ul style="list-style-type: none"> 1. continuity undermined if trustees leave or are unable to undertake tasks 2. leading to compliance, performance and organisational issues 	<ul style="list-style-type: none"> 1. detailed procedures 2. training of trustees to achieve two trained trustees for all key functions 3. fall back position to outsource 	yes
3	governance	adequate control and decision making	<ul style="list-style-type: none"> 1. no accountability 2. arbitrary decision making 3. poor value for money and Foundations objectives are bypassed 	<ul style="list-style-type: none"> 1. detailed procedures 2. all policies and their updates and reviews have to be considered by trustee body 3. all grant approvals require unanimous trustee agreement 4. all records, policies and documentation available to all trustees through a cloud based arrangement 	no
4	operational	procedure documentation	<ul style="list-style-type: none"> 1. incomplete and or inadequate procedure documentation 2. lack of awareness of policies and procedures 3. actions taken without proper authority or compliance 	<ul style="list-style-type: none"> 1. detailed procedures 2. all policies and their updates and reviews have to be considered by trustee body 3. all grant approvals require unanimous trustee agreement 4. all records, policies and documentation available to all trustees through a cloud based arrangement 	no
5	operational	IT	<ul style="list-style-type: none"> 1. loss of data 2. failure to innovate and have good systems to meet the Foundations challenges 3. dependency of key trustees 	<ul style="list-style-type: none"> 1. use of windows systems 2. bespoke spreadsheets to meet Foundation objectives 3. trustee training for back up 4. outsourcing as fall back position 5. all records, policies and documentation available to all trustees through a cloud based arrangement 	no

6	financial	Budgetary Control & Financial Reporting	<ul style="list-style-type: none"> 1. ability to function as a going concern 2. decisions made on unreliable financial data 	<ul style="list-style-type: none"> 1. grant policy does not allow for unfunded future commitments 2. financial workbooks in place covering all the relevant areas 3. systems regularly reviewed and in particular annually post Annual Report & Accounts submission 	no
7	financial	Investment Portfolio	<ul style="list-style-type: none"> 1. security of investment assets 2. investment performance 3. endowment fund's ability to meet grant programme 4. liquidity issues 	<ul style="list-style-type: none"> 1. investment policy mitigates many of the risks through scope and nature of investments plus conduit controls, checks and balances 2. grant programme is subject to available funds and does not anticipate future funding 	yes
8	financial	Endowment Fund robustness	<ul style="list-style-type: none"> 1. sufficient size to meet grant objectives 2. poor investment portfolio performance 	<ul style="list-style-type: none"> 1. investment policy that balances rewards, risks and access 2. grant programme does not lead but follow fund availability 3. medium term is focused on building the endowment fund to c. £250k based on delivering income of c4%pa. Grant programmes will therefore be based, during this period, on new donations and cash at bank. 	no
9	financial	Foreign Exchange	<ul style="list-style-type: none"> uncertainty over grant amounts when made in a foreign currency e.g. South Africa charities 	<ul style="list-style-type: none"> 1. low risk because forex impact and associated costs are budgeted at the time of approval 2. actual impact is crystallised at time of payment 	no

10	financial	fraud or error	<ol style="list-style-type: none"> 1. loss of funds 2. inappropriate grant allocation and/or use of funds 	<ol style="list-style-type: none"> 1. documented procedures 2. trustee review and scrutiny 3. approved bank and investment signatories requiring two signatures in some critical areas plus leaving of a clear audit trail 4. all records, policies and documentation available to all trustees through a cloud based arrangement 	no
11	external	Government Policy	<ol style="list-style-type: none"> 1. impact of tax regime including most importantly Gift Aid 2. general legislation affecting Charities 	<ol style="list-style-type: none"> 1. monitoring 2. use Charity Commission, CAF and other web sites 3. can only deal with such events as they occur but normally there is the benefit of a reasonable lead time 	no
12	compliance	Compliance with legislation & regulations	<ol style="list-style-type: none"> 1. financial penalty 2. withdrawal of charitable status 	<ol style="list-style-type: none"> 1. monitoring 2 regular review of policies and procedures calling on HMRC and Charity Commission advice and direction 	no
13	compliance	Regulatory Reporting	<ol style="list-style-type: none"> 1. financial penalty 2. withdrawal of charitable status 3. regulatory action 	<ol style="list-style-type: none"> 1. monitoring 2 regular review of policies and procedures calling on HMRC and Charity Commission advice and direction 	no
14	compliance	Taxation - Gift Aid	<ol style="list-style-type: none"> 1. fines from HMRC 2. loss of income 3. loss of charitable status 	<ol style="list-style-type: none"> 1. ensure Gift Aid declarations obtained from all appropriate donors 2 robust procedures to follow when claiming Gift Aid 3. other tax issues are minimal e.g. VAT on services 	no

15	compliance	Professional Advice	<ul style="list-style-type: none"> 1. run foul of regulation and law 2. miss opportunities 	<ul style="list-style-type: none"> 1. Foundation is a simple operation and professional advice would be appropriate in a small number of areas 2. need to balance cost of advice against benefits 3. make use of free investment advice 4. review need for professional advice as the Foundations grows and becomes more complex 	no
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Table 3: Matrices used to assess Risk Elements					
Category	Likelihood of Occurrence	Severity Impact	Overall Risk	Volatility	Trustee Responsibility
governance	certain	major	high	high	yes
operational	probable	significant	high/medium	medium	no
financial	possible	moderate	medium	low	
external	unlikely	minimal	medium/low		
compliance			low		