Risk Policy – Community Schemes

Background

The purpose of a risk policy is to provide guidance and direction as to the management of risk and areas of weakness within an organisation.

In the same way a Community Scheme needs to be committed to ensuring that it establishes risk management systems and processes to ensure its objectives and governance responsibilities are met.

The policy must recognise that risk is an inherent part of operations, presenting both threats and opportunities. To achieve objectives a Community Scheme must make decisions that involve some degree of risk.

This policy formalises and communicates the Community Schemes approach to risk management. This policy provides guidance in relation to a transparent and consistent consideration of risk and uncertainty when decisions are made.

Scope

This Policy needs to apply across all the operational areas and activities within a Community Scheme.

Risk is defined as the effect of uncertainty on the Community Scheme's objectives.

Risk management for most organisations is defined as the identification, assessment and response to risk and uncertainty to support the making of decisions that will help the organisation achieve objectives, including the control of activities.

Risk management should follow a comprehensive risk management framework (ISO or other agreed framework) which provides consistent guidance to all Trustees/Directors and employees of a Community Scheme on how to identify, analyse, evaluate, monitor, treat and report on risks.

Every employee within a Community Scheme is responsible for the effective management of risk, including identifying risks, responding to risks and reporting risks.

Support Structures Required:

Trustees/Directors/Board/Management Committee

The Trustees/Directors/Board/Management Committee is ultimately responsible for the oversight of Risk within a Community Scheme. The broader duties and responsibilities of the Committee should be detailed within the Board Charter which should include:

- Establishing a sound system of risk oversight and management of internal controls to ensure systems and processes are properly managed and function effectively;
- Determining the types and levels or risks that are acceptable for the Community Scheme;
- Understanding and monitoring the status of the material/significant risks and uncertainties facing the Community Scheme;
- Ensuring that an appropriate consideration of risk and uncertainty has been included in any submissions provided to the Trustees/Directors/Board for approval;
- Assessment of management's report or judgment on the effectiveness of the implementation of the risk management and internal control systems;

• Receiving assurance from the Trustees/Directors regarding the annual declaration in the Annual financial statements in relation to the efficiency and effectiveness of risk management and internal controls.

Audit and Risk Committee

The Audit and Risk Committee (where in place/applicable), assists the Trustees/Directors/Board in discharging its fiduciary responsibilities by monitoring and advising the Board on matters as they relate to risk management such as:

- Reviewing and reporting on the efficiency, effectiveness and appropriateness of the Community Scheme's Risk Management Framework, Risk policies and controls;
- Considering the extent to which internal controls are both designed and operating effectively within the Community Scheme;
- Overseeing management's actions in the identification, management and reporting of material operational/business risks.

Chief Executive Officer (If in place)

The Chief Executive Officer is responsible for maintaining the risk management procedures that will assure the Trustees/Directors/Board that major business risks are managed appropriately which incorporates:

- Designing and implementing a risk management and internal control system to manage the Community Scheme's material business risks in line with the Risk Management Policy and Framework;
- Review and approve the controls and strategies implemented for the management of identified risks;
- Managing the operations and allocating the resources of the Community Scheme in a manner that balances risk and reward and is consistent with the Community Scheme's objectives and risk profile;
- Regular reporting to the Trustees/Directors/Board/Management and/or Audit and Risk Committee on how effectively the Community Scheme is managing its material business risks and details of risk response strategies in place to manage these risks/areas of weakness;
- Allocation of risk owners to implement controls and strategies to manage and mitigate the business risks; and reporting from the risks owners on the performance of these controls and strategies to manage these risks;
- Periodic review of the Community Scheme's risk profile, fostering a risk awareness culture;
- Providing an annual attestation to the Trustees/Directors/Board;
- Ensuring that the financial statements are founded on a sound system of risk management and internal compliance and control;
- Ensuring that the Community Scheme's risk management and internal control system is operating efficiently and effectively in all material respects.

Management Responsibilities

Key responsibilities of a management committee, if in place, as they relate to risk management include:

- Implementing and monitoring the systems and processes required for the day to day identification and assessment of risks;

- Ensuring that systems and processes to manage risk are operating effectively in accordance with the Community Scheme's risk management policy and framework;
- Ensuring that the "risks owners" are actively and effectively managing and monitoring key business risks;
- Regular reporting to the Trustees/Directors on how effectively the Community Scheme is managing its material business risks and details of risk response strategies in place to manage these risks; and
- Periodic review of the Community Scheme's risk profile, fostering a risk aware culture.

Reporting

A register of the most significant and/or material risks should be centrally maintained. The status of these risks and risk response plans should be regularly reported to the Trustees/Directors/Board, Management and/or the Audit & Risk Committee. These risks should be identified on a bottom-up basis and be reviewed regularly by the Trustees/Directors/Board, Management and/or the Audit & Risk Committee.

Depending on the size of the business or organization, the Group Risk and Assurance function should be responsible for providing integrated risk and assurance services to assist all employees in the execution of their responsibilities. This includes:

- Development, implementation and maintenance of the risk management framework;
- Assistance provided to the business to ensure compliance under the risk management policy and framework;
- Assistance provided to the business to identify, monitor, and respond to risks;
- Reporting to the Board, Management and/or the Audit & Risk Committee on the status of critical business risks and strategies in place and to manage these risks, as owned by the business or organisation

Review of Risk Policy

The Risk Policy of a Community Scheme should be periodically reviewed by the Trustees/Directors/Board/Management Committee or Audit & Risk Committee and any proposed or recommended changes made to the Policy need to be recommended to the Trustees/Directors/Board by the Management Committee or Audit & Risk Committee.