

# RISK

## MANAGEMENT

DEVELOPING A RISK  
MANAGEMENT PLAN

MAXIMISING MINISTRY BY MINIMISING HARM

July 2006

# RISK MANAGEMENT

## Before you start

Prior to commencing this module you should have completed steps 1 to 4 as outlined on page 7 of 'A Risk Management Program for Parishes'.

## Introduction

Good risk management supports Gospel ministry, is an expression of our love for people and in the long run can free up time and resources for ministry, as well as protecting staff, volunteers, parishioners and visitors.

**“By systematically implementing our risk management strategy we can demonstrate due diligence and exercise correct duty of care.”**

Risks are involved with many, if not most, aspects of parish ministry. It is necessary to address the various risks systematically so that important matters are not overlooked or dealt with haphazardly. By systematically implementing our risk management strategy we can demonstrate due diligence and exercise correct duty of care.

Therefore a Risk Management Plan has to be developed. The Risk Management Plan need not be a daunting task if the essential steps are followed.

The steps in the process are set out and explained below.

## Step 1 Communicate and consult

Risk management is, by its very nature, a dynamic process that requires careful consideration of ministry issues and constant dialogue among parish leadership.

This can be achieved through:

- The commitment of the minister, staff, churchwardens and parish council to establish clear communication and consultation lines regarding risk
- A clear understanding of the parish's risk management program by developing a risk management plan
- The training for all staff on the importance of risk management and its positive effects on the parish and its ministry
- The development of other communication and consultation tools such as formal policies for identified risks, surveys and feedback channels

## Step 2 Establish the context

Every parish operates within its own unique context, with different goals and objectives and different levels of resources. To complicate matters this context is constantly changing.

- **Internal Context**

This concerns identification and review of key ministry activities, overall goals and objectives and the resources we have available to use in meeting these goals and objectives.

- **External Context**

This includes the identification of our external environment including key stakeholders such as people, suppliers, strategic partners etc. It also includes consideration of external events such as government, social, industrial, or technological changes that may affect the mission of the parish in the future.

- **Risk Management Context**

As the internal and external context within which a parish operates is constantly changing, we need to ensure the ongoing relevance and effectiveness of our Risk Management Plan. This includes undertaking regular reviews of the parish ministry and the impact of the external environment.

“...we need to ensure the ongoing relevance and effectiveness of our Risk Management Plan.”

## Step 3 Identify the risks

In this step, you should comprehensively identify all risks using a well-structured systematic process. This is critical to ensure that all key risks are taken into account. The modules that will be progressively issued to you will tell you what you need to know about that systematic process. However, in addition to the formal process do not underestimate the value of the general experience of all involved. This will add to the thoroughness of the whole plan.

## Step 4 Analyse the risks identified

When a risk has been identified, the next step is to analyse that risk. That is:

- a) What is the likelihood of this happening?
- b) If it does happen, how serious would it be?
- c) Allocate a risk rating.

The objective is to provide an assessment of each risk as either **Extreme, High, Moderate** or **Low**.

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## Step 4 (a) Likelihood of an Event Occurring

Allocate to each risk a rating based on the likelihood of the event occurring, based on the definitions set out in the following table.

Risk Rating	Description
<b>A. Almost Certain</b>	<p><b>Not an unusual occurrence.</b></p> <ul style="list-style-type: none"> <li>- Risk has more than an 80% chance of occurring; or</li> <li>- Is likely to occur in the next 3 months.</li> </ul>
<b>B. Likely</b>	<p><b>Known to occur or has happened in the past:</b></p> <ul style="list-style-type: none"> <li>- Risk has a 60-80% chance of occurring; or</li> <li>- Is likely to occur in the next 6 months.</li> </ul>
<b>C. Possible</b>	<p><b>May occur:</b></p> <ul style="list-style-type: none"> <li>- Risk has a 40-60% chance of occurring; or</li> <li>- May occur within 1 year.</li> </ul>
<b>D. Unlikely</b>	<p><b>Not likely to occur:</b></p> <ul style="list-style-type: none"> <li>- Risk has a 20-40% chance of occurring; or</li> <li>- May occur within the next 3 years.</li> </ul>
<b>E. Rare</b>	<p><b>May occur in exceptional circumstances (would be considered highly unusual):</b></p> <ul style="list-style-type: none"> <li>- Risk has less than a 20% chance of occurring.</li> </ul>

## Step 4 (b) Impact of the Event if it does occur (Consequence)

Having assessed the likelihood of an event occurring it is necessary to consider the possible impact of the event on people and ministry operations. For each risk, allocate a rating based on the likely consequence(s), for individuals and for the parish, should the risk become a reality.

## Step 4 (b) Impact of the Event if it does occur (Consequence)

Catastrophic	Life/Health	Death or permanent serious disability.
	Physical Assets	Total loss of buildings, plant & equipment, records.
	Non-Physical Assets	Total loss of all electronic and physical data.
	Interruption to Ministry	Extended interruption, full recovery unlikely.
	Reputation/Market Share	Extended national media attention. Irreparable damage. Relationships destroyed. Ministry opportunities nullified.
Major	Financial Assets	Financial failure of parish.
	Life/Health	Life threatening injury which requires lengthy hospitalisation/rehabilitation.
	Physical Assets	Extensive damage to property and equipment. Repairs difficult.
	Non-Physical Assets	Major loss of data that can not be recovered.
	Interruption to Ministry	Up to 6 months. Significant long term impact on Parish.
	Reputation/Market Share	National media attention. Loss of parishioners/relationships for either a long term or permanently.
Moderate	Financial Assets	Severe financial loss (\$50k - \$500k).
	Life/Health	Significant injury requiring hospitalisation. Up to 2 weeks lost time.
	Physical Assets	Significant damage to property and equipment. Repairable.
	Non-Physical Assets	Loss of up to 1 month of data/work. Mostly recoverable.
	Interruption to Ministry	Services and/or church activities unable to be held for 2 weeks. Probable long term impact.
Minor	Reputation/Market Share	Medium term local media attention. Loss of parishioners in the short term.
	Financial Assets	Significant financial loss (\$5k - \$50k).
	Life/Health	Injury requires a doctor. Less than 1 week lost time.
	Physical Assets	Minor damage to property & equipment. Repairable.
	Non-Physical Assets	Loss of up to 1 week of data/work. Mostly recoverable.
	Interruption to Ministry	Services and/or church activities unable to be held for 1 week. Minor long term effect.
Insignificant	Reputation/Market Share	Short term local media attention. Limited long term effect.
	Financial Assets	Minor financial loss (less than \$5k).
	Life/Health	Slight injury requires first aid only. No lost time.
	Physical Assets	Localised damage, easily repaired.
	Non-Physical Assets	Fully recoverable loss of one day's data or work in progress.
	Interruption to Ministry	Minimal. Services and/or church activities continue to be held as normal although with interruption.
	Reputation/Market Share	No media reports. No loss of reputation or relationships.
	Financial Assets	Insignificant financial loss (less than \$1k).

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## Step 4 (c) Allocate a Risk Rating

An overall risk rating is allocated to a risk event using the following matrix that indicates risk levels represented by a combination of various degrees of consequence and likelihood.

**This matrix consists of four categories:**

E = Extreme  
 H = High  
 M = Moderate  
 L = Low

Likelihood	Consequences				
	1. Insignificant	2. Minor	3. Moderate	4. Major	5. Catastrophic
<b>A. (Almost Certain)</b>	M	H	H	E	E
<b>B. (Likely)</b>	M	M	H	H	E
<b>C. (Possible)</b>	L	M	H	H	H
<b>D. (Unlikely)</b>	L	L	M	M	H
<b>E. (Rare)</b>	L	L	M	M	H

## Parish Risk Assessment Schedule

There is a CD included in this material that contains an Excel based document called “Parish Risk Assessment Schedule”. The schedule is designed to assist you to complete steps 3 and 4 and will “automatically” determine a risk rating for you. Please refer to the instructions on the spreadsheet and please contact Parish Services if you have any difficulties opening or using the schedule.

## Step 5 Evaluate the risks

This is where decisions are made about which risks to tackle first, second and so on, or whether you can implement a particular treatment or control that may in fact address one or more risks simultaneously.

Each risk needs to be evaluated in the light of parish ministry priorities and the possible impact of not treating unacceptable risks in a timely manner.

The risk rating, determined in step 4(c), is a primary indicator of the need to address a particular risk. However, it is not the only indicator. When evaluating risks, factors to be considered include:

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2 All a man's ways seem innocent to him,  
but motives are weighed by the LORD.  
3 Commit to the LORD whatever you do,  
and your plans will succeed.

PROVERBS 16:3 (NIV)

## ALLOCATE A RISK RATING FOR EACH RISK IDENTIFIED AS EITHER

- Extreme
- High
- Moderate
- Low

## Step 5 Evaluate the risks (continued)

- The risk rating
- The quality of any existing risk controls
- The cost of implementing a solution and the impact it will have on the risk
- Alternatives for managing the risk should the cost of eliminating the risk be too high
- The possibility that one action or solution will be effective for a number of risks

The following table is designed to assist you in determining the effectiveness of any existing risk controls. These definitions have been set up in the Parish Risk Assessment Schedule provided on the CD.

Control Rating	Definition
Excellent	Control can be relied upon to prevent risk event occurring or to effectively mitigate risk in the event it does materialise – 90 to 100% effective.
Good	In most circumstances control can be relied upon to prevent risk event occurring or to mitigate risk in the event it does materialise – 70 to 90% effective.
Satisfactory	Control is in place and risk event will be controlled most of the time – 50 to 70% effective.
Poor	Controls are in place, however are considered to be generally unreliable or relatively ineffective. No guarantee that the risk event will be controlled - 20 to 50% effective.
Unsatisfactory	Controls are totally ineffective. Risk event will not be controlled - less than 20% effective.

## Step 6 Treat and control the risks

Once you have identified a particular risk and evaluated it in light of:

- other risks that exist within your parish;
- the quality of your existing controls; and
- the resources you have available within the parish;

you should consider your options for controlling and treating your risks.

Where you deem a particular risk to be unacceptable you may consider a range of risk treatment options as set out below.



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## Step 6 Treat and control the risks (continued)

Treatment Option	Description
Changing the Likelihood of Occurrence	This can be achieved by implementing internal systems and controls such as: audit or compliance programs; contractual conditions; preventative maintenance; quality assurance programs; research & development; organisational arrangements; staff education & training and/or technical controls; documentation and communication of formal policies.
Changing the Consequences	This can be achieved by implementing internal systems, policies and controls such as: complaints handling programs; disaster recovery plans; contractual arrangements; contingency planning; design features and public relations.
Risk Transfer / Sharing	Risk can be transferred in a number of ways including: out-sourcing; implementing appropriate insurances and/or establishing strategic relationships.
Avoiding the risk	Risk can be avoided by deciding not to proceed with an activity. For example, a decision may be made not to conduct the activity of rock climbing at youth group camps.
Monitoring & Reviewing	This is the minimal treatment required for acceptable risks. The frequency of monitoring and review may increase with the level of risk.

Often a single risk will have multiple controls and treatment options. Selecting the most appropriate options involves balancing the costs of implementing each option against the potential benefits.

It is important that the selected option is implemented and communicated to the parish and a formal policy documented to complete the process. While Extreme and High risks need to be given priority, it may not be possible to deal with all risks immediately. In that case, a plan should be established to address each risk in accordance with available time and resources. It may be necessary to give particular time to an issue or seek to raise funds to solve a problem.

***The important thing is to have a Risk Management Plan that has clear time objectives.***



## RISK TREATMENT OPTIONS

- Change the likelihood of occurrence
- Change the consequences
- Transfer or share the risk
- Avoid the risk
- Monitor and review the risk

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## Step 7 Review and monitor

As parish life is dynamic, so risk is dynamic. A regular review process is essential to the Risk Management Plan. A review of all risk categories is required at least annually. Questions to be asked and answered will include:

- Is the risk still present?
- Has the risk changed?
- Was the management strategy fully implemented?
- Have the risk category policies been communicated to the ministry team, parishioners etc.?
- Are the risk category policies being followed in practice?
- Does the risk require further treatment or a change to the current management practice?
- What is the priority for implementing a solution in the light of the current parish ministry strategy?
- Has this priority changed since last year?

“A review of all risk categories is required at least annually.”

To help you to properly implement your Risk Management Plan, each module will include practical tools to assist you in the implementation and review process.

