Risk Management Framework

For adoption and use by Presbyteries and Congregations

RISK MANAGEMENT WITHIN THE CHURCH

As the people of God, risk management reflects the Church's self-understanding as a community embedded within, and willing to learn from broader society: *"... the Uniting Church also stands in relation to contemporary societies in ways which will help it understand its own nature and mission."* (Basis of Union, para. 11). Risk management, which ensures safe spaces and practices, enables broader participation the Church's pursuit of goals and objectives as part of our mission. Undertaking effective risk management is one aspect of the Church's faithful ability, *"to live and endure through the changes of history"* (Basis of Union, para 4).

Our awareness of risk management and our commitment to the processes set out in this document relate, in part, to our historical and traditional understanding of Stewardship. The Church acts as steward of its resources which are to be used for the mission of God and the sustainability of that mission into future generations (in whatever shape or form). Caring for those resources is a duty that we accept as the Synod of Victoria and Tasmania and as individual members of the Church.

Risk management is also a key part of our ongoing engagement as a Church operating in a society that has legal and moral expectations that we must uphold if we wish to continue to operate within that society. Irrespective of the required responses to these societal and governmental expectations, the Synod expects that it, and all councils, institutions and organisations of the Church are a safe place for individuals and groups to engage in the exploration and expression of discipleship and mission. Beyond this, risk management within the Synod is considered an essential aspect of how we operate to pursue mission in many and varying ways.

Rev Dr Mark Lawrence
General Secretary, Synod of Victoria and Tasmania

Presbytery and Congregation Risk Management Framework

1. Introduction

1.1 Purpose and overview

The Uniting Church in Australia (**UCA**) Synod of Victoria and Tasmania (**Synod**) has developed the Presbytery and Congregation Risk Management Framework (**RMF** or **Framework**) to support Presbyteries and Congregations within the Synod in establishing risk management systems and processes. It is a standardised framework that Presbyteries and Congregations can *choose to adopt* rather than seeking to develop their own as required by the Synod Risk Management Policy.

The objective of the Framework is to provide a systematic and consistent approach to identify and manage risk and has been developed in line with better practice and is consistent Australian Standards (*AUS ISO 31000*). The Framework outlines, formalises and communicates an approach to risk management as required by the Synod Risk Management Policy. It sets out standard responsibilities for the management of risk across Presbyteries and Congregations.

1.2 Scope

This framework applies to all Presbytery and Congregation personnel from those Presbyteries and Congregations that have opted to adopt this framework rather than develop and establish their own. Each Presbytery and Congregation is expected to have a Risk Management Framework as a requirement of the Synod Risk Management Policy. If a Presbytery or Congregation does develop its own Risk Management Framework, it should be lodged with Synod Risk Management.

If support or guidance is required in the implementation of this framework, please contact Synod Risk Management.

1.3 Policy statement

Effective risk management, including the considered pursuit of some risks, is a key contributor towards the realisation of the Synod's missional and operational objectives. A key component of risk management includes the mitigation of unwanted negative events.

Therefore, it is the policy of the Synod that a risk management framework is established and embedded that provides an effective process for the identification, analysis and management of risks. This will support sustainability and safeguard mission, people, reputation, operations, and finances; ultimately supporting the ongoing pursuit and achievement of our vision and mission.

1.4 Key terms and principles

A complete list of definitions is provided as an appendix to this document, however, the below definitions are provided for reference.

Risk is the "effect of uncertainty on objectives". An effect may be a positive or negative deviation from what is expected. Risk is usually expressed in terms of risk sources, potential events, their consequences and their likelihood *(ISO 31000:2018).*

Risk management refers to the coordinated activities to direct and control an organisation with regard to risk *(ISO 31000:2018).*

1.5 Related Synod documents

- Synod Risk Management Policy

1.6 Roles and Responsibilities

The Synod Standing Committee (**SSC**), through the Synod Risk Management Committee (**RMC**), is responsible for overseeing the establishment and implementation of risk management systems across Synod Ministries and Operations, Presbyteries, Congregations and Institutions.

Presbytery Standing Committee is responsible for the establishment, implementation and oversight of their Presbytery's risk management framework. This includes monitoring of key risks to ensure appropriate actions are taken to reduce risks and prevent adverse outcomes.

Church Councils are responsible for the establishment, implementation and oversight of a risk management framework at their respective Congregation(s). Their role includes monitoring of key risks to ensure appropriate actions are taken to reduce risks and prevent adverse outcomes.

All personnel are responsible for applying risk management practices in their area of work and ensuring that their respective leadership are aware of key risks.

2. Risk Management Framework

2.1 Principles for Managing Risk

The Synod is guided by the principles for risk management from the Australian Standard *(AS ISO 31000:2018)* as outlined below.

Value creation and protection	The purpose of risk management is the creation and protection of value. It improves performance, encourages innovation and supports the achievement of objectives
Integrated	Risk management is an integral part of all organisational activities. The effectiveness of risk management is dependent on its integration into the governance and decision-making processes.
Structured and comprehensive	A structured and comprehensive approach to risk management contributes to consistent and comparable results.
Customised	The risk management framework and process are customised and proportionate to external and internal context and to objectives.
Inclusive	Appropriate and timely involvement of stakeholders enables their knowledge, views and perceptions to be considered. This results in improved awareness and informed risk management.
Dynamic	Risks can emerge, change or disappear as external and internal context changes. Risk management anticipates, detects, acknowledges and responds to those changes and events in an appropriate and timely manner.
Best available information	The inputs of risk management are based on historical and current information, as well as on future expectations. Risk management explicitly takes into account any limitations and uncertainties associated with such information and expectations. Information should be timely, clear and available to relevant stakeholders.
Human and cultural factors	Human behaviour and culture significantly influence all aspects of risk management at each level and stage.
Continuous improvement	Risk management is continually improved through learning and experience.

2.2 Risk management framework and process overview

SMO has adopted the overall philosophy of the Australian and International standards (*AS ISO 31000:2018*), which provides a holistic management framework and process for the management of risk.

Figure 1 to the right, represents the essential components to the development of a better practice risk management framework, as outlined in the Australian Standard.

The risk management framework is the totality of systems, structures, processes and people across SMO, and the Synod as applicable, involved in identifying, analysing, evaluating, treating, monitoring, and reviewing all internal and external sources of risk that could have a material adverse impact on objectives.

Figure 1 Framework AS ISO 31000:2018

The following diagram outlines the key components of SMO's RMF. Further detail on the risk management process itself is provided in Section 3, *Risk management process*.

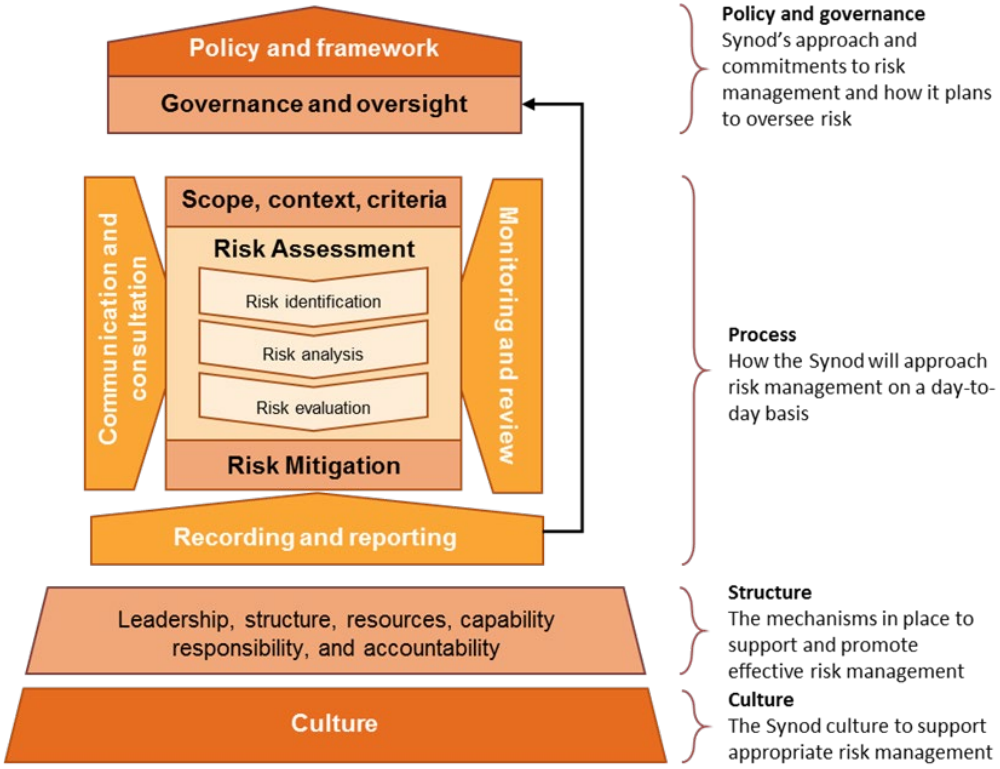


Figure 2 Risk management process and framework, adapted from AS ISO 31000:2018

2.3 Synod's risk appetite

As part of risk assessment processes, risks should be considered against the risk appetite of the Synod. **Risk appetite** is the amount and type of risk that an entity is willing to accept in pursuit of objectives. Presbyteries and Congregations should seek to operate within the risk appetite of the Synod and avoid taking on excessive risk that may result in material harm or loss.

3. Risk management process

3.1 Risk assessment

Risk assessment comprises the processes for identifying, analysing and evaluating risks. The purpose of risk assessment is to provide evidence based information and analysis to make informed decisions on how to treat particular risks. The risk assessment process is set out below.

The key aims of the risk assessment process is to:

a) identify those things that can limit or prevent achieving objectives;

b) identify the causes and consequences of the risk, so that it is fully understood;

c) identify and assess those activities/processes that are currently in place to reduce the risk causes or consequences; and

d) identify the areas where additional activities are required to eliminate or reduce the causes or consequences occurring to reduce the risk to a level that is acceptable.

3.1.1 Risk identification

The aim of risk identification is to generate a broad list of risks based on those events that might effect the achievement of objectives. To support in the risk identification and analysis, a range of key risk categories have been included in *Appendix 1*.

As part of identifying and analysing risks it is useful to consider the following:

1) What opportunities are available to support the pursuit and achievement of objectives? **risk sources/events**

2) What could go wrong and/or prevent achievement of objectives? **risk sources/events**

3) What things could occur to enable that opportunity (Q1) or make something go wrong (Q2)? **causes**

4) If something did go wrong or an opportunity were missed, what is the best and worst case scenario? What is the most likely scenario? **consequence**

5) What is being done or could be done to ensure opportunities are identified and pursued, to prevent things going wrong or to minimise adverse consequences? **mitigation/controls**

3.1.1.1 Emerging risks

As part of the risk identification process it is important to consider emerging risks. **Emerging risks** are risks that are known to some degree but are not likely to materialise or have an impact for several years. For example, an emerging risk may start as a trend, such as a demographic shift that may not have any material impact over the next two years, but may have critical impacts over a longer term.

3.1.2 Risk analysis

Risk analysis involves consideration of the causes and sources of risk, the positive and negative consequences, and the likelihood that those consequences can occur. Factors that affect consequences and likelihood should be identified.

The objective of risk analysis is to:

a) Provide an improved understanding of the risk, including the relative causes and consequences;

b) Determine the effectiveness of existing controls to reduce or prevent the risk.

3.1.2.1 Controls and control effectiveness

A **control** is any process or activity that maintains, reduces or prevents risk. Controls include, but are not limited to, any process, policy, device, practice, or other conditions and/or actions which maintain and/or modify risk. The objective of a control is to address the cause or consequence and reduce its effect or likelihood. Controls may be detective or preventative in nature.

It is important to recognise that controls may not always exert the intended or assumed modifying effect and therefore require ongoing monitoring and review.

3.1.2.2 Consequence and likelihood analysis

Likelihood analysis determines the probability or frequency of a risk being realised.

The below scale should be used as a guide in determine the likelihood rating of risks.

Rating	Likelihood
Almost Certain	The event is already occurring or is expected to occur in most circumstances.
Likely	There is a strong possibility of the event occurring. It is expected to occur at some point if the context and control environment remain the same.
Possible	There is a reasonable possibility that the event may occur at some point.
Unlikely	Not expected under current circumstances, but there's a slight possibility it may occur at some point.
Rare	Highly unlikely, but it may occur in exceptional circumstances. It could happen, but probably never will.

Consequence analysis determines the nature and type of impact which could occur assuming that a particular event situation or circumstance occurs.

The table below provides a general guide in determining the consequence rating of risks.

Rating	Consequence
Extreme	Presents a serious threat to the safety, health and wellbeing of people or to the ongoing sustainability of the entity.
Major	Medium to long-term impacts that will likely cause reputational damage and a minor threat to the ongoing sustainability of the entity.
Moderate	Medium term impacts that may cause reputational damage. Little or no threat to the sustainability of the entity.
Minor	Temporary and minor disruptions only or short-term impacts or temporary and minor harm.
Negligible	A single occurrence of the risk would cause no or only minor issues of little concern.

3.1.2.3 Examples of applying consequence ratings

Some examples of applying the above consequence rating scale are included below.

Scenario 1: Risk of personal harm during volunteer weeding in a community garden

Provided the garden is well managed, there is no use of sharp tools and volunteers are appropriately inducted, this risk consequence would likely be rated as '**Negligible**'.

While volunteers may get minor scratches or splinters these can be treated with basic first aid and present no ongoing harm to the person. This may be rated '**minor**' or '**moderate**' however, if: the garden is not well pruned and managed and may therefore cause more serious injuries; if the activity is occurring in poor weather conditions; or if the volunteers engaged are more vulnerable and may require increased medical attention for minor injuries.

Scenario 2: Risk of inappropriately managing trust/bequest monies

Where trust/bequest monies are not managed in accordance to the trust deed, any use of monies outside the deed will result in the entity being obligated to repay the trust/bequest the sums spent, and potentially any lost interest.

As the inappropriate management of funds is a breach of financial duties, the repayment of funds would be an immediate financial obligation and the inappropriate use of funds may cause reputational damage, this risk consequence would likely be rated as '**Major**'.

This may be rated higher however, if the entity has limited finances readily available to repay the amount or if the amount of funds represent a significant portion of the entities annual revenue.

Scenario 3: Risk of property falling into disrepair due to poor maintenance

As a property falling into disrepair presents a threat to the safety, health and wellbeing of people in or surrounding the building and the closure of the building and/or the cost to repair the building may cause a serious impact on an entity's sustainability this risk consequence would likely be rated as '**Extreme**'.

Scenario 4: Risk of inappropriate conduct or adverse events due to not abiding by UCA regulations

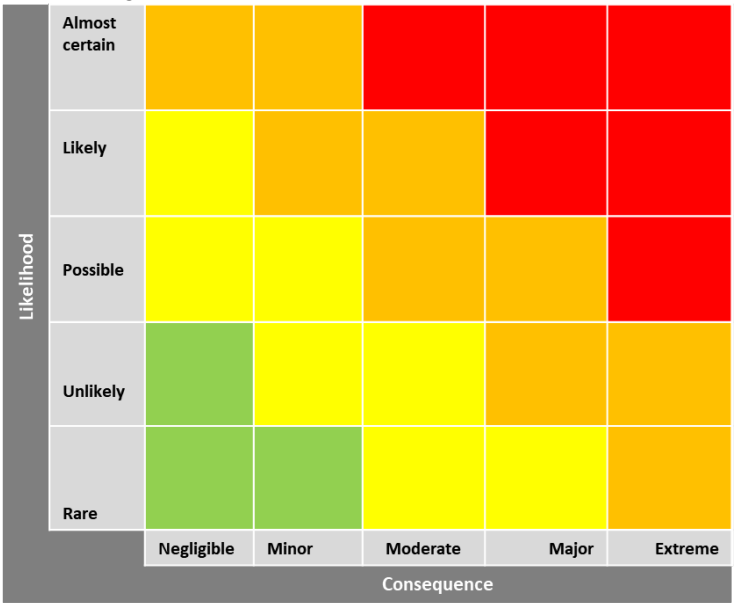
The UCA regulations set out the structure, roles and responsibilities for the governance and operation of the Church. It is therefore important that the regulations are consistently understood and followed by all parts of the Church. Where the regulations are not appropriately followed there is a risk that efforts may be duplicated or that key governance and management responsibilities are not appropriately discharged which may result in a wide range of negative events.

As there are broad consequences to this risk, including the exacerbation or untimely identification and management of other risks, this risk consequence would likely be rated as '**Major**'.

3.1.2.4 Risk ratings

By plotting the consequence and likelihood ratings utilising the Risk Rating Matrix, the level of risk significance can be allocated to a risk as detailed in the tables below. This process supports the evaluation of risks and helps to prioritise how to manage risk.

Risk Rating Matrix



Risk Significance Table

Risk rating	Risk reduction requirements	Accountability
Critical	Risk should be reduced as soon as possible. If the risk cannot be reduced the most senior responsible officer/manager (or equivalent) should ensure that appropriate due diligence systems are in place.	Presbytery oversight required
High	Ensure system and technical controls are such that the risk is as low as reasonably practicable and due diligence systems are in place and assurance can be demonstrated.	Church Council oversight required
Medium	Ensure management system controls risk and managerial responsibility is defined.	Church Council oversight required
Low	Acceptable risk – Review consequences and likelihood and manage through routine procedures.	Personnel

3.2 Risk mitigation

Risk mitigation involves selecting one or more actions for addressing a risk, and then implementing those actions. The actions may include the following.

- Avoid the risk by deciding not to proceed with the activity likely to generate the risk;
- Taking or increasing the risk in order to pursue an opportunity;
- Implementing new controls or improving existing controls to either reduce the likelihood of the risk being realised or reduce the consequence of the risk, should it be realised;
- Transfer the risk to other parties through mechanisms including contracts, insurance arrangements and organisational structures (i.e. joint ventures); or
- Retaining and accepting the residual risk via informed decision.

Selecting the most appropriate risk mitigation action(s) involves balancing the costs and efforts of implementation against the benefits derived, with regard to legal, regulatory, and other requirements.

3.3 Monitoring and reviewing risks

Factors that affect the consequence and likelihood of a risk may change, as may the factors affecting the suitability or effectiveness of treatment options. The monitoring of the risk profile, and re-assessment of risks, is therefore a continuous process with the purpose of meeting the following objectives.

- Provide oversight that risks are being managed and treatment plans are operating as expected;
- Assess whether the risk treatment strategy remains relevant; and
- Ensure that the risk profile anticipates and reflects changed circumstances and new exposures.

3.4 Risk recording and reporting

As part of any risk management process, processes must be established, maintained and utilised to assist in the management, communication, reporting and monitoring of risk issues and outcomes. A risk register should be established and maintained to capture this information and the changing nature of risks and controls.

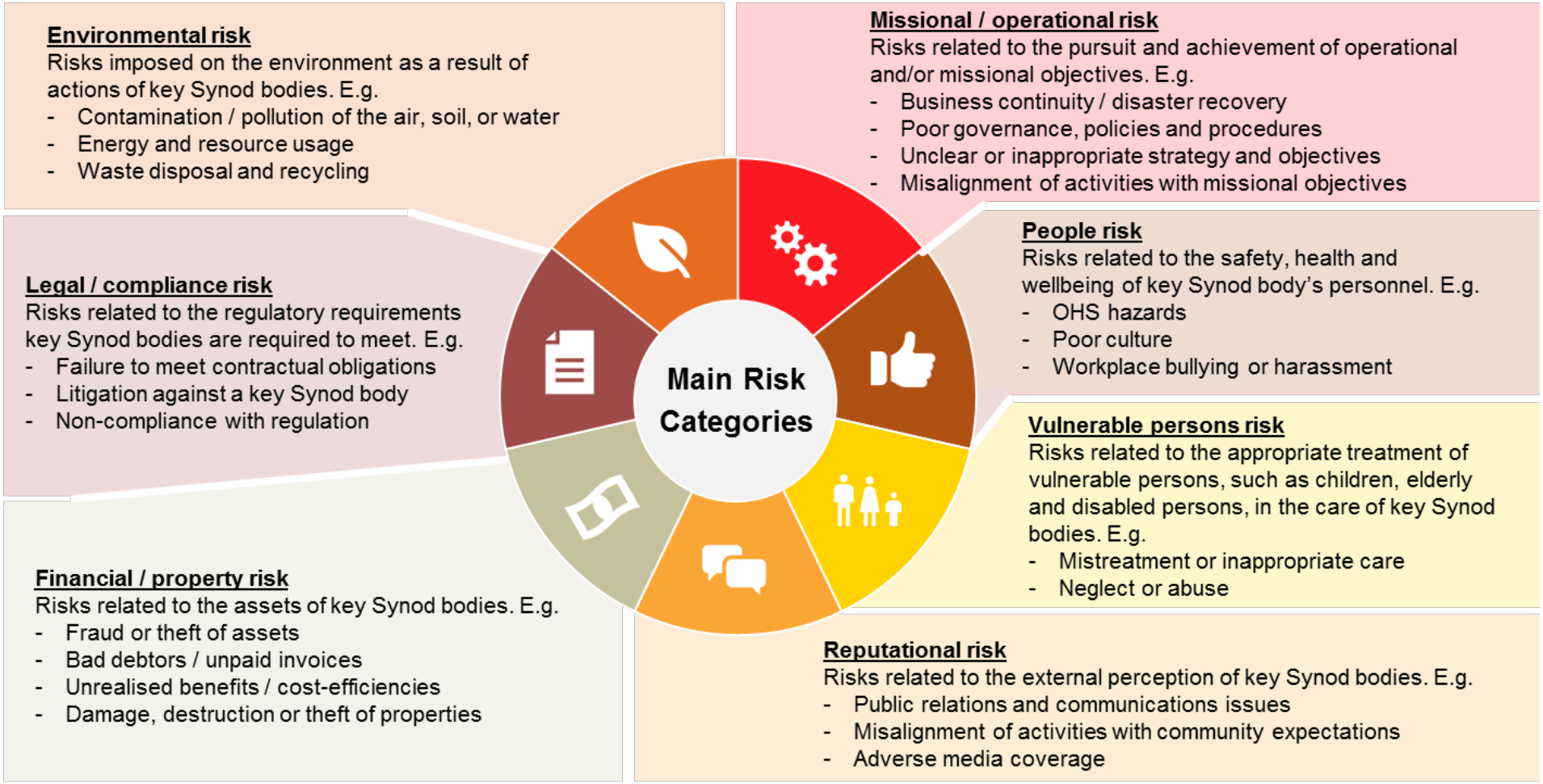
To support the effective oversight of risk management, the risk register should be periodically reported to and monitored by Church Council (Congregations) and Presbytery Standing Committee (Presbyteries).

Where risks are identified that are not being managed appropriately entities should seek support from Synod's Risk Management Team.

Appendices

Appendix 1: Main risk categories

The graphic below presents some main risk categories along with a brief description and some example key risks for each.



Appendix 2: glossary of terms

Term	Definition
Acceptable risk	A real risk imposed by a specific exposure but one that under considered circumstances the Key Synod Bodies is willing to accept the likelihood and consequence in the pursuit of objectives.
Consequence	The outcome of an event affecting objectives, expressed qualitatively or quantitatively. There may be a range of possible outcomes associated with an event.
Context	External Context: External environment in which an entity seeks to achieve its objectives. This can include the following: - the cultural, social, political, legal, regulatory, financial, technological, economic, natural and competitive environment, whether international, national, regional or local; - key drivers and trends impacting on objectives; and - relationships with, and perceptions and values of, external stakeholders. Internal Context: Internal environment in which an entity seek to achieve their objectives. This can include the following: - governance, organisational structure, roles and accountabilities; - Synod objectives and the strategies that in place to achieve them; - the capabilities in terms of resources and knowledge (e.g. capital, time, people, processes, systems and technologies); - information systems, information flows and decision-making processes; - relationships with, and perceptions and values of, internal stakeholders; - the entity's culture; and - standards, guidelines and models adopted by the entity.
Control	A control is any measure or action that maintains, modifies and/or regulates risk. Controls include, but are not limited to, any process, policy, device, practice, or other conditions and/or actions which maintain and/or modify risk. Controls may not always exert the intended or assumed modifying effect. Preventative controls are controls that are intended to act to prevent the realisation of a risk. Detective controls are controls that are intended to identify instances of a risk being realised.
Emerging risk	A risk that is known to some degree but is not likely to materialise or have an impact for some time.
Event	Occurrence or change of a particular set of circumstances. An event can be one or more occurrences, and can have several causes or may consist of the failure of something to occur.
Inherent risk	The risk which exists before control measures are in place, that is, the risk that is inherent to the activity.
Institution	Institution means Institution as defined in Regulation 3.7.4.7 (a) (i) that has a direct reporting relationship with the Synod, whether such Institution is incorporated or not. These include Uniting, AgeWell, and Uethical.
Key Synod body	A key Synod body refers to all the entities and bodies of the Synod of Victoria and Tasmania. These include Synod Ministries and Operations, Presbyteries, Congregations and Institutions,
Likelihood	The chance/probability/frequency of something happening, whether defined, measured or determined objectively or subjectively, qualitatively or quantitatively, and described using general terms or mathematically.
Monitoring	An ongoing process of checking, supervising, critically observing or determining the status in order to identify change from the performance level required or expected.
Personnel	Personnel in relation to this document, and its applicability, is considered to be any persons directly or indirectly employed by the bodies or entities this framework applies to, as well as any contractors or volunteers or others that are held out to be associated with those bodies or entities.

Residual risk	Risk remaining after risk mitigations are implemented, respective to the overall adequacy and effectiveness at mitigating the inherent risk.
Review	An activity undertaken to determine the suitability, adequacy and effectiveness of the subject matter to achieve established objectives.
Risk	Risk is the effect of uncertainty on objectives. It is the exposure to the possibility of financial or non-financial loss or gain; any kind of injury, damage or benefit, resulting from a course of action. Losses or gains may the direct or indirect effect of an event.
Risk Analysis	The process to determine the nature of risk and to determine the level of inherent and residual risk.
Risk Appetite	The amount and type of risk that an entity is willing to accept in pursuit of objectives.
Risk Assessment	The overall process of risk identification, risk analysis and risk evaluation.
Risk Control	The measure that is modifying risk. Controls include any process, policy, device, practice, or other actions which are designed to mitigate risk. The '*control environment'* then relates to the sum of all the controls in place.
Risk Criteria	Terms of reference, such as the consequence and likelihood rating scales, against which the significance of a risk is evaluated.
Risk Evaluation	Process of comparing the results of risk analysis with risk criteria to determine whether the risk and/or its magnitude are acceptable or tolerable.
Risk Level	The magnitude of a risk expressed in terms of the combination of consequences and their likelihood.
Risk Management	Risk management refers to the coordinated activities that direct and control an entity with regard to risk. It includes the principles, framework and processes for managing risks effectively and the application of these to particular risks.
Risk Management Process	The systematic application of management policies, procedures and practices to the activities of communicating, consulting, identifying, analysing, evaluating, treating, monitoring and reviewing risk.
Risk Owner	The person or body with the accountability and authority to manage risk.
Risk Mitigation	The process to modify risk consequence and/or likelihood through the application of controls.
Synod	The Synod of Victoria and Tasmania and the governance bodies it has established to discharge its responsibilities.
Stakeholders	Persons or bodies that can affect, be affected by, or perceive themselves to be, affected by a decision or activity.
Uncertainty	Uncertainty is the state of complete or partial deficiency of information related to, understanding or knowledge of an event, its consequence, or likelihood. There is almost always some level of uncertainty when analysing and mitigating risk. Where there is significant uncertainty related to the risk or controls, the overall risk rating may increase as a result.
Wider Church	References to the 'wider Church' generally refers to the councils and bodies of the Church other than Synod/SMO. This would include presbyteries, congregations, parish missions, communities of faith and other entities that are within the bounds of the Synod. This does not include Institutions or related schools.