

# INTRODUCTION TO RISK MANAGEMENT

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## What is Risk Management (RM) anyway?

- RM is the process of reducing the possibility of adverse consequences either by reducing the likelihood of an event or its impact, or taking advantage of the upside risk.



## Why manage risks?

- To identify new risks that may affect a ministry so an appropriate strategy can be determined.
- To identify changes to existing or known risks so amendments to the risk strategy can be made.
- To ensure best use is made of the opportunities.

## We risk manage everyday!

- Crossing the road
- Stopping at a red light when driving
- Getting qualifications to improve our standard of work.
- When travelling to “dangerous” countries we would try to reduce dangers e.g. take vaccinations, follow government travel warnings
- Similar considerations need to be made when dealing with our church and its assets.

# What is the aim of risk management?

- To reduce perceived risks down to an “acceptable” level in times of uncertainty.



***Our Aim***

# What are the assets of the church?

- Offices
- Churches
- Furniture
- Vehicles
- Computers
- And the **MOST** important one.....
  - Membership....**YOU**



# Creating a risk committee

- It is advised that a risk committee is setup for each institution.
- The risk committee would carry out the following roles:
  - Raise risk awareness
  - Establish policies for risk management in their specific context
  - Implement processes to monitor and report risk

## RM process

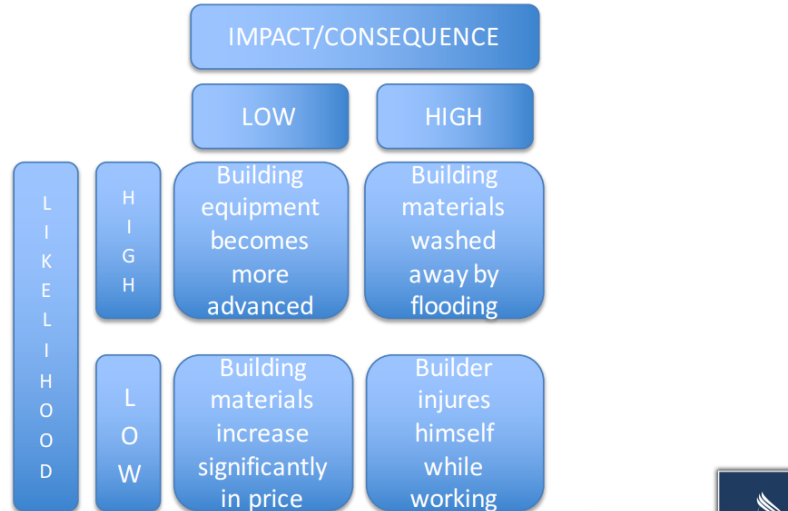


# RM Process (Risk Assessment) – Risk Maps

- Map identifies if risk will have significant impact and links into likelihood of risk occurring.
- Risks with significant impact/high likelihood of occurrence need more urgent attention than low impact/low likelihood occurrence.
- The higher the impact of the risk, the more severe it is!

# RM Process (Risk Assessment) – Risk Maps

Scenario: Plan to build new churches

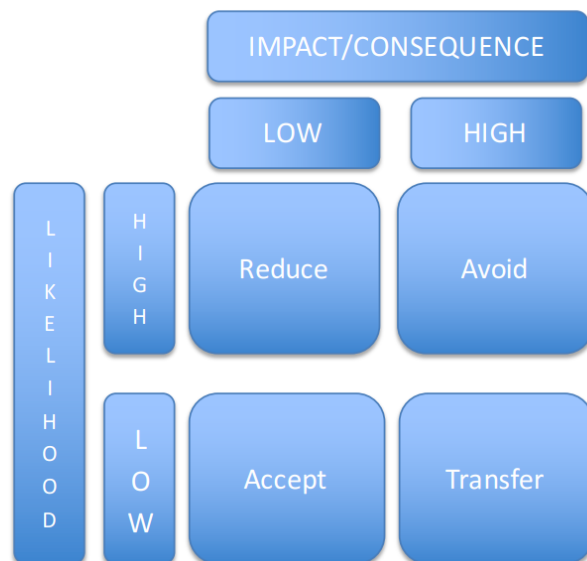


## RM Process (Risk Planning) – TARA Model

- **T**ransfer – Risk is transferred wholly or in part to third party. If an adverse event occurs, the third party suffers all or most of the loss.
- **A**voidance – May choose to avoid risk altogether. Difficult as risk is unavoidable in business.
- **R**eduction – Limit exposure in area or attempt to decrease adverse affects if risk occurs.
- **A**cceptance – Acceptance of risk may occur & decide to deal with consequences in particular situation

## RM Process (Risk Planning) – Risk Maps/TARA

Risk maps can provide useful framework to determine appropriate RM strategy:



# RM process – Risk monitoring

- Evaluation of whether risk management control procedure has been effective is of great importance.
- Process for audit:
  - Identify risks
  - Assess risks
  - Review controls over risks
  - Report on inadequately controlled risks



## Practical example – A child sent to go to the shop alone at night

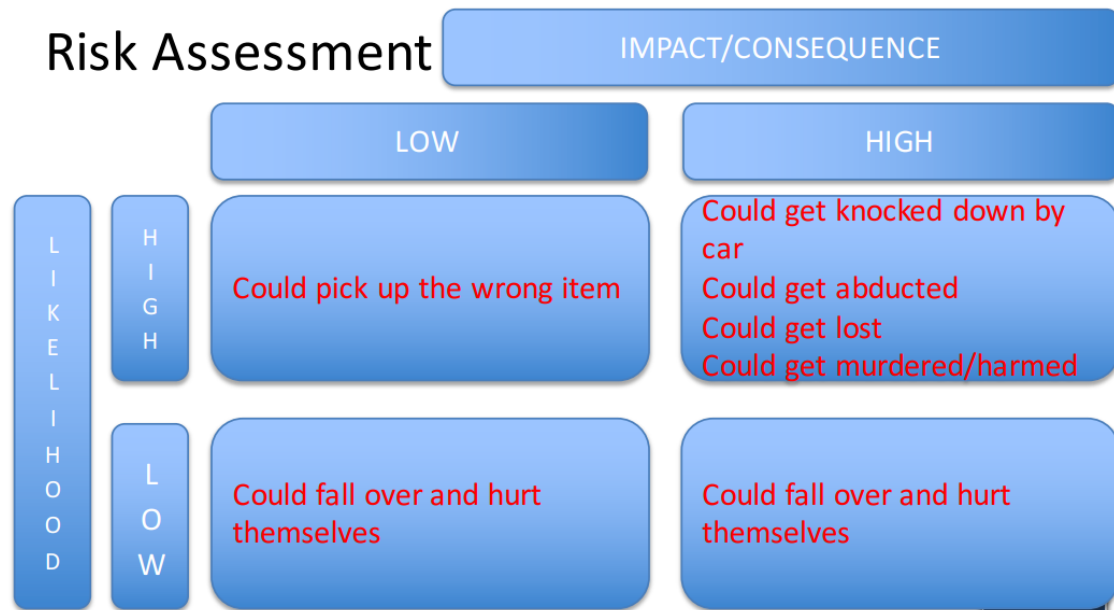
### 1. Risk Identification

- Could get knocked down by car
- Could get abducted
- Could get lost
- Could get murdered/harmed
- Could fall over and hurt themselves
- Could pick up the wrong item



## Practical example – A child sent to go to the shop alone at night

### 2. Risk Assessment



## Practical example – A child sent to go to the shop alone at night

### 3. Consider risk alternatives

- Transfer – We could get an older sibling/trusted friend/responsible adult to go with our child
- Accept - We can accept the risks as it is an absolute necessity that the item is purchased.
- Reduce - We can reduce the risk by giving our child appropriate education as to the dangers of the world and equip them with the knowledge of what to do in the various situations
- Avoid - We can decide the risk is too great and not allow our child to go



# Practical example – A child sent to go to the shop alone at night

## 4. Risk Monitoring

- With each of the strategies we should look at:
  - Was the strategy successful to manage the risk?
  - Was the outcome desirable?
  - What could we have done better?
  - How can we eliminate/reduce the effects of the risk in the future?

## Question

- Patience is the Sabbath school coordinator for Huambo Central Church. She is arranging a day trip for the children to the park so they can observe the insects and relate these to the Garden of Eden. It is known that there is the “Zeba” virus going around which is particularly dangerous to children but the chances of it being caught are low (about 5%) and also there is a vaccine available which would reduce the likelihood to <0.01%.
  - What are Patience’ options based on what we have just discussed?
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## Possible answer

- Transfer – Take out an insurance policy that includes provision for the “Zeba” virus and therefore can provide emergency assistance to a child if they are infected.
- Accept – Patience would be foolish to accept this impending danger
- Reduce – Patience could stipulate that the children can only come on the trip if they have had the vaccine...by a qualified medical practitioner with parent/guardian consent and if she has seen the evidence.
- Avoid – Patience could cancel the trip until the “Zeba” virus has passed and rearrange the trip for then. \_\_\_\_\_