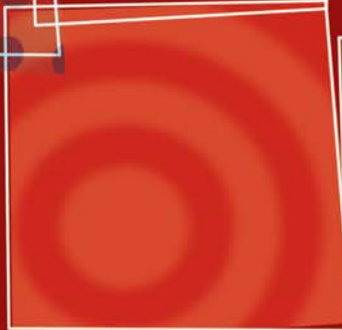
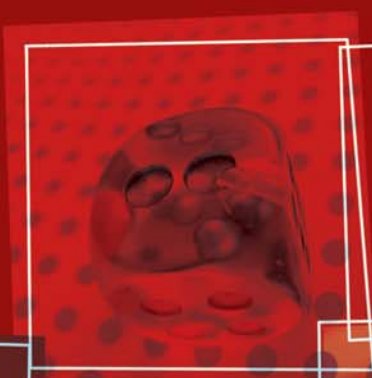
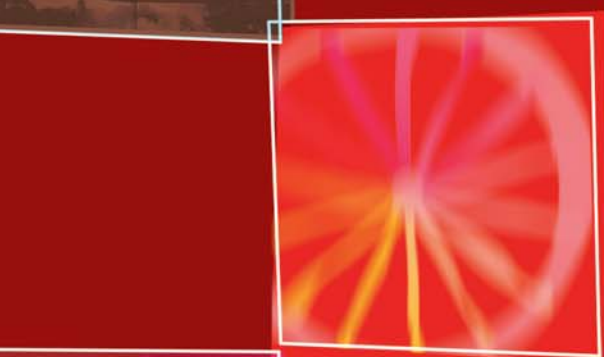


reducing the risk

a resource guide for community
and voluntary organisations



The solid foundations series

Preface Life is risky and community/voluntary/charitable organisations are not immune from risk. In fact, they operate in particularly high risk environments, coping with uncertain funding streams, having vulnerable client groups, being dependent on voluntary input, dealing with continuously changing public representatives and civil servants, and so on and so forth. Risk cannot be avoided, but most types of risk can be anticipated and therefore planned for. By properly managing risk, the negative effects of hazards can be reduced. It is important that people who run not-for-profit organisations, whether as volunteers or paid staff, are aware of the risks involved and feel comfortable dealing with them.

The eventual ramifications of charities regulation are still unknown. However, it is almost certainly true that organisations will have to prove greater accountability, provide evidence that they are managing their affairs prudently and show that they have taken adequate steps to mitigate risk. If they have not already done so, the time is right now for organisations to put in place risk management strategies that suit their needs.

Reducing the Risk is part of a range of training and guidance services provided by The Wheel. It follows on from our popular 2007 publication *Solid Foundations: a resource guide for building strong and effective organisations in the community and voluntary sector*. It is accompanied by a sister publication on governance entitled: *Getting to Grips with Governance*.

The guide has been designed to help organisations:

- Recognise the importance of managing risk in a structured manner
- Identify the kind of risks to which they are exposed
- Take a logical step-by-step approach to risk management
- Have access to a range of signposts to further information.

We hope you find it useful. If you have any additional information for future editions, or any comments or questions whatsoever, please do not hesitate to contact us.



Deirdre Garvey

Chief Executive Officer, The Wheel



Publication details

Based on The Wheel gratefully acknowledges two organisations in the United Kingdom for their permission (subject to copyright regulations) to use their resources in the preparation of this document. They are the Scottish Council for Voluntary Organisations for its *Getting to Grips with Governance* guide and the Charities Commission for its 2007 publication *Charities and Risk Management*.

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The Wheel is a leading support and representative body for community, voluntary and charitable organisations

across Ireland. We provide a wide range of information and support services, training and advice to individuals and organisations involved in community and voluntary activity to help them get their work done. The Wheel also represents the shared interests of our members and the wider community and voluntary sector to government and other decision makers.

Disclaimer

Our goal is to provide comprehensive, timely and accurate information. This publication contains references and pointers to information kept or provided by other organisations. We therefore cannot guarantee their accuracy. It is our policy to correct any errors brought to our attention. Comments and suggestions are always welcome. Note that this document is not a replacement for seeking legal advice should that be necessary.

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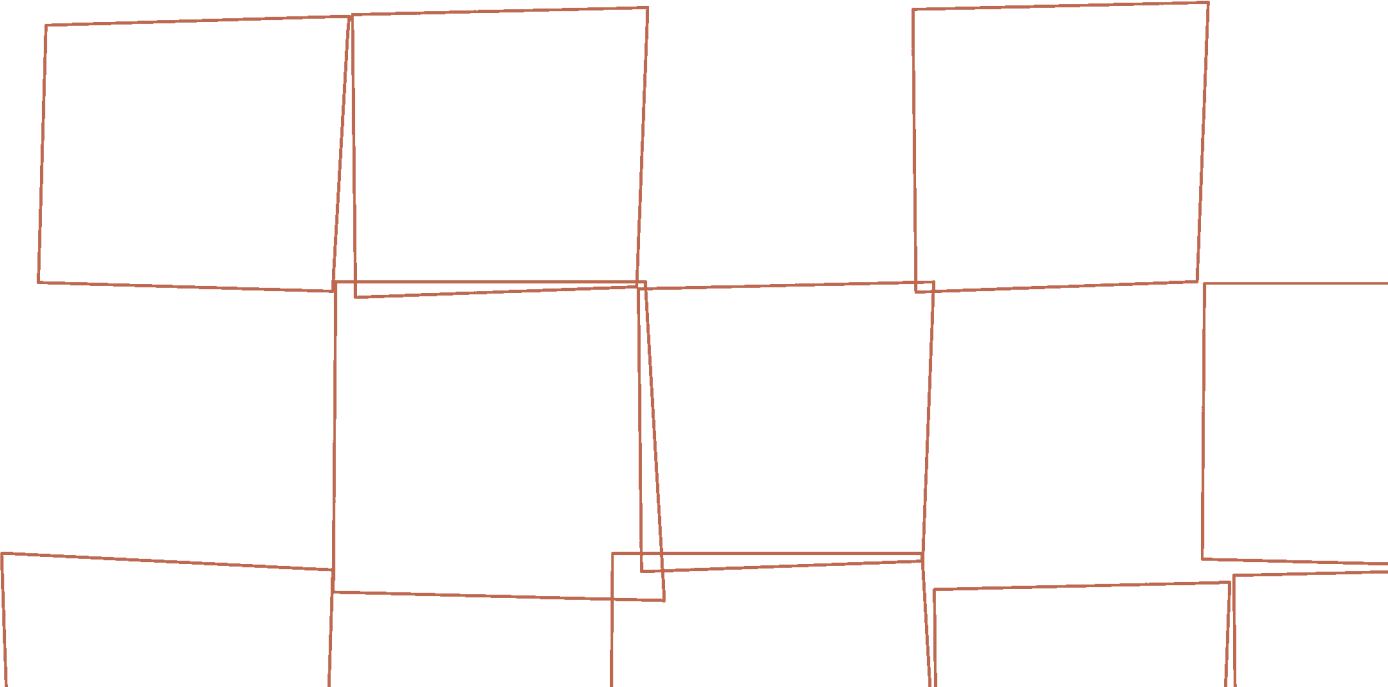
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Who this guide for

This guide has been prepared first and foremost to meet the needs of established organisations in the Irish community and voluntary sector. However, its principles can be applied to organisations of all ages and sizes. The larger and more complex organisations become, the greater their need for comprehensive risk management strategies.

The guide has been written primarily for members of governing bodies and senior staff, as these persons have principal responsibility for ensuring that risk is managed within their organisations. However, effective risk management needs to be embedded in an organisation, so the content applies to everyone with a stake in the organisation.

We hope that everyone using this guide will find something that meets his or her current interest or situation.



How to use this guide

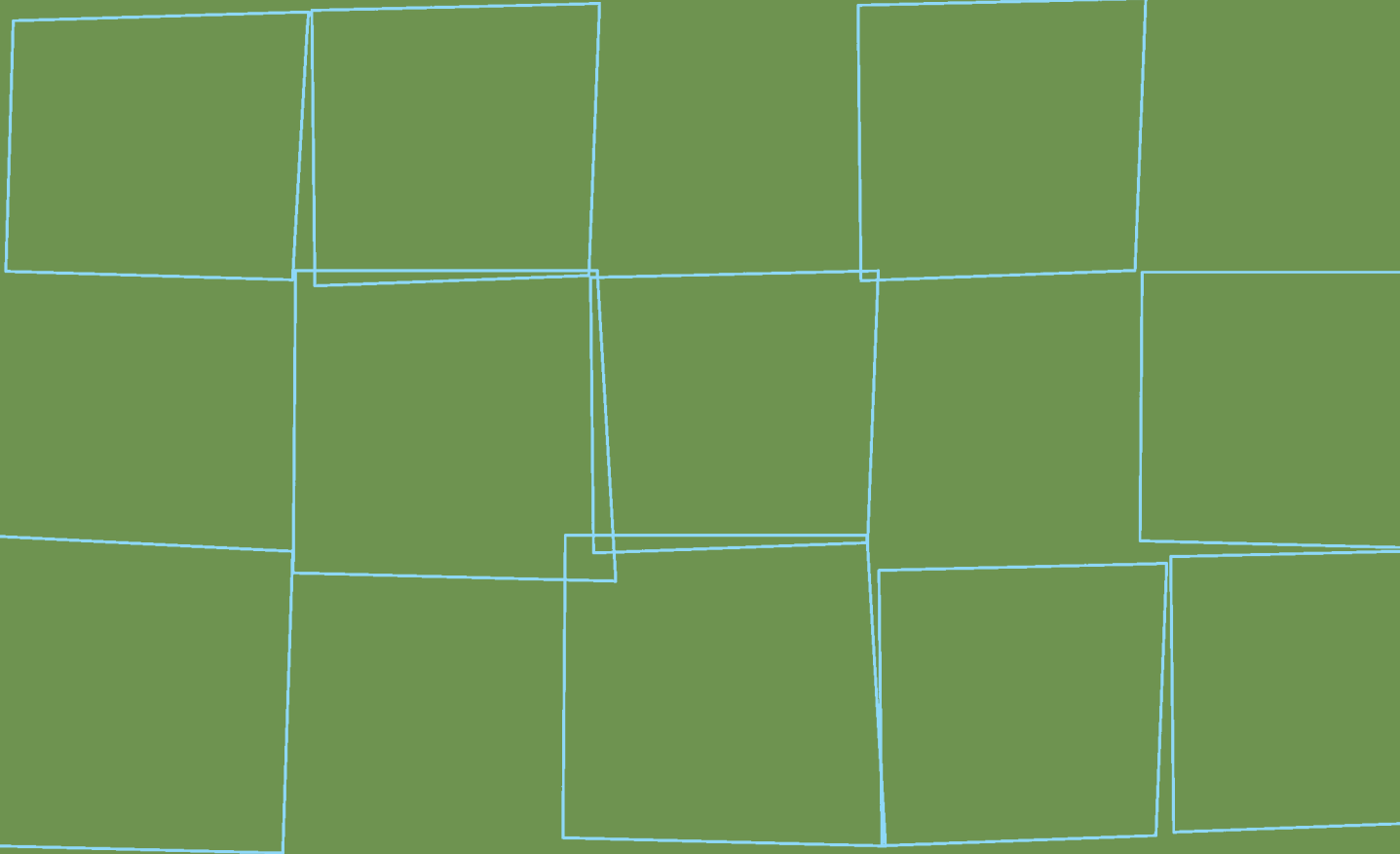
The guide is divided into three chapters:

- One: Risk in the community and voluntary sector
- Two: The risk management process
- Three: What next?

The first two chapters contain a general discussion of the area, with 'top tips' and questions (in speech bubbles) to help readers relate the topics covered to their own experience. The final chapter provides a list of useful resources and publications and a glossary of relevant terminology. Detailed contents pages are also provided.

Although the guide provides examples of risks and suggests tools for risk management, it is stressed that each organisation must tailor its approach to assessing and dealing with risk, so that the unique circumstances of each organisation are considered in full.

CHAPTER 1 :
Risk in the community
and voluntary sector



1.1 Introduction

This introductory chapter sets the scene for risk management in the community and voluntary sector. It defines risk and risk management and outlines responsibilities for the management of risk within organisations. It then provides a detailed overview of the potential risk areas that organisations in the sector should consider, the potential effects of the risks within these broad areas, and the steps that might be taken towards mitigation, thereby reducing the risks.

1.2 What is risk?

Risk can be defined as a situation involving exposure to danger, or a threat requiring something to be protected. It is an inherent feature of all activity, and it can arise from inaction as well as action. Usually, risk is perceived negatively; the likelihood that something unpleasant or unwelcome will happen. In organisational terms, risks are normally seen as the possibilities, great or small, that the organisation will be damaged in some way as a result of a particular hazard. For example, a trailing cable is a hazard with a risk of employee injury, litigation and direct financial costs. Whilst this is certainly true, risk can also be viewed in a more positive manner; for instance, as a chance to improve internal practices or to seize external opportunities when they arise.



1.3 What is risk management?

Risk is an everyday part of life in the community and voluntary sector, and managing it effectively is essential if organisational goals are to be achieved and organisational assets are to be safeguarded. Risk management is sometimes perceived as a very difficult and potentially overwhelming process. However, it is something that organisations already do on a daily basis. For example, when organising an outdoor fundraising event, such as a summer fête, the organisers reflect on how to ensure the stalls are sturdy, cash takings are kept safe, children's play activities are appropriately supervised, contingency plans are in place for adverse weather, and so on. In other words, they are adopting a practical approach to dealing with risk.

Ideally, all organisations should adopt a structured approach to managing all the significant risks that they are exposed to and this requires time and care. Methods and tools for doing this are provided in chapter two. However, this does not mean that there is a standard one-size-fits-all approach to risk management for all organisations. The larger and more complex an organisation is, the more complex its risk management strategy is likely to be.

Organisations, especially smaller ones, should not be put off by a concern that they might not get it 100% right in the first instance. A partially effective risk management strategy is infinitely better than none.

1.4 Responsibilities for risk management

As risk affects everyone who is engaged with an organisation, dealing with risk is something that applies to all of them. However, as with other organisational issues, the governing body (board, committee, etc) arguably has the most significant role to play. Thinking about risk is an integral part of the governance role and the governing body is ultimately responsible for ensuring a proper risk management strategy is in place. Managerial staff members (if there are such persons in the organisation) are responsible for ensuring the risk management strategy is implemented, and other staff and volunteers are responsible for complying with the strategy measures. This is likely to involve communicating relevant parts of the strategy to clients, members and third parties.

***** TOP TIPS *****

You may wish to consider setting up a risk management or audit subcommittee that undertakes regular reviews of internal control systems. However, if you choose to do so, you should ensure that the governing body is actively involved, and that it reviews risk management strategies on a regular basis, as it is ultimately responsible for risk management.

1.5 Potential risk areas

The community and voluntary sector in Ireland is by its nature diverse. Different activities, funding bases and structures expose different organisations to different types of risk at different levels. The following list¹ gives indications of some of the main risk areas that governing bodies may need to consider. Illustrative details of potential impact and potential controls that might mitigate the risk are also provided. Please note that the list is neither prescriptive, nor exhaustive, and is in no way a substitute for an organisation undertaking its own risk identification process.

¹ Adapted from Charities Commission (UK), *Charities and Risk Management*, 2007 ©

Is risk management a topic that receives ongoing attention in your organisation?

Is it on the agenda of your organisation's governing body meeting at least once a year?

Does anyone have defined responsibilities for managing risk in your organisation?