

Managing Risk in your Organisation

*This paper is an extract from section 5.6 of the publication **Solid Foundations – a good practice guide for building strong and effective community and voluntary organisations**. More information about good practice in general as related to all aspects of running community and voluntary organisations can be found in this new 84-page guide which is a first in the sector. Solid Foundations is published by The Wheel and can be ordered from www.wheel.ie*

Managing Risk - Threats And Opportunities

Risk is a situation involving an exposure to danger. You should approach risk management positively, as part of the day-to-day management of the organisation, for it does not just identify threats, it also provides opportunities for improvements. Most risk can be anticipated and therefore planned for, for example:

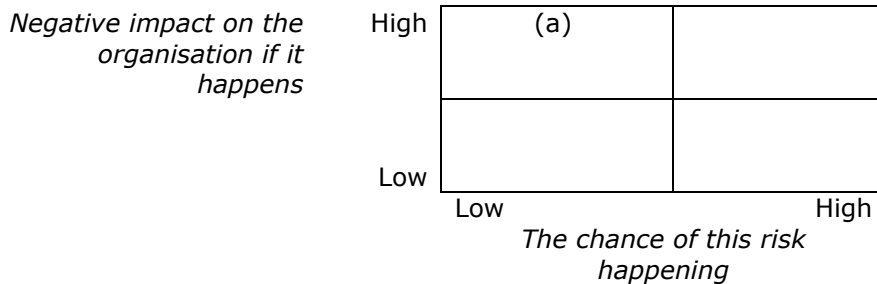
- Financial** (such as inadequate reserves)
- Human** (such as departure of key staff)
- Operational** (such as theft of computers)
- Technological** (such as the computers dying without sufficient backup)
- Physical** (such as someone falling off a ladder)
- Reputational** (such as media exposure of bad practice)
- Governance and management** (such as a lack of plan to guide the organisation's work)

You may wish to consider a risk management or audit subcommittee that undertakes regular reviews of internal control systems. However you choose to conduct this process in your organisation you should ensure that the governing body is actively involved and reviews the risk management strategies annually as it is ultimately responsible for the risk management in the organisation.

You should conduct an annual written assessment – under the main headings such as the seven listed above – of the risks facing your organisation (**risk identification**). Each risk that you identify should be assessed to examine the consequences to the organisation if it were to happen (**risk assessment**). Each risk then should be matched with a risk management strategy that describes the procedures that are in place or actions that are underway to manage or minimise that risk (**risk management**). Remember that you must put in place clear communication channels for all workers to report suspected breaches of law, regulations and other improprieties.

A useful tool to help you report the findings is to plot each risk identified on a simple graph that has "the chance of this risk happening" on one axis, and "negative impact on the organisation" on the other axis. See next page. (Refer to the appendices for a blank sample that you can copy).

For example, the risk of a fire in your office destroying all your files and data on your PC's might have a low risk of happening, but if it did, it could have a very harmful impact on your organisation. In this case, that risk - identified by the letter (a) - would appear somewhere in the top left box as shown below.



Although where to precisely plot the risk on this graph is a judgement call, this can be a helpful tool for management and the governing body to focus energy on the most important risks. It also quickly identifies the key risk areas that require more targeted management, i.e. those in the top right quadrant, which have a high likelihood of happening and significant negative impact if they did happen. However, it is important to stress that the risks plotted elsewhere in this chart should also be actively managed.

One of the most effective risk management approaches is to have a comprehensive set of policies and procedures for the organisation. By having written policies and procedures on, for example, staffing and employment, internet and email usage, health and safety, etc, you will find that these procedures not only assist you in implementing your plans for the organisation, but they also act as risk management strategies for many of the 'usual' risks facing your organisation. In approaching risk management in this way, it becomes part of the day to day management of the organisation and not something to be intimidated by.

By dealing with risk directly in a manner similar to that described in this section, you can be sure that the organisation is better managed on a daily basis.

An example of risk management based on employing staff

Step 1 – Identify potential areas of risk to organisation

Does the organisation have procedures in place to comply with employment, equality and health/safety legislation? If so, how well have these procedures worked in the past? When were they last reviewed? Are there gaps?

Step 2 – Assess the impact of the risk on the organisation if it were to happen

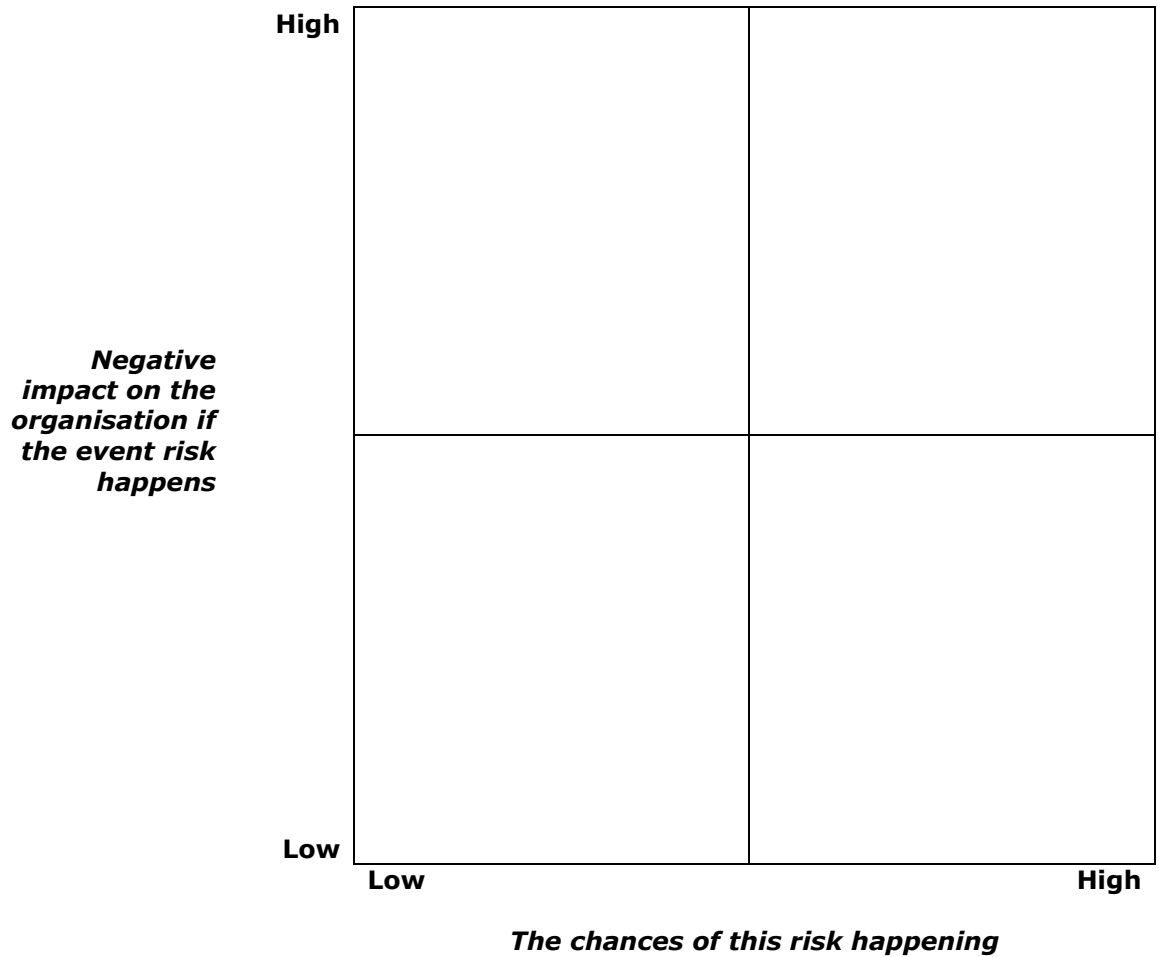
What are the legal penalties of not having health and safety statement? What are the reputational risks if a disciplinary matter is mishandled?

Step 3 – Manage the risk by revising/developing procedures in the light of steps one and two

Implement required changes to existing procedures and develop procedures to meet identified gaps. Arrange for regular review of those procedures and decide how the organisation will keep itself informed of changes in employment legislation.

The Wheel

Appendix 1: Risk Assessment Chart



The Wheel

Appendix 2: Risk Management Template

Identified Risk	Risk Management Strategy
<u>Financial</u>	
<u>1.</u>	
<u>2.</u>	
<u>3. etc</u>	
<u>Human</u>	
<u>4.</u>	
<u>5.</u>	
<u>6. etc</u>	
<u>Operational</u>	
<u>7.</u>	
<u>8.</u>	
<u>9. etc</u>	
<u>Technological</u>	
<u>10.</u>	
<u>11.</u>	
<u>12. etc</u>	
<u>Physical</u>	
<u>13.</u>	
<u>14.</u>	
<u>15. etc</u>	
<u>Intangible</u>	
<u>16.</u>	
<u>17.</u>	
<u>18. etc</u>	

Additional risks can be added in each section. Each identified risk needs to have a unique number identifying it so that it can be plotted on the risk-assessment chart.

The Wheel

Irish Social Finance Centre, 10 Grattan Crescent, Inchicore, Dublin 8
 Tel: 01-454 8727 Fax: 01-454 8649 Email: info@wheel.ie Web: www.wheel.ie