A risk is the chance, 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, which could lead to employee injury. As a result there are risks of employee injury, litigation and direct financial costs.

Risk management is sometimes perceived to be a highly complex and potentially overwhelming process. While some risks can be complex, there are simple tools available to assist the process. Although governing bodies will need to apply time and care to risk management, they should not be put off by a concern that they might not get it 100 per cent right. A partially effective risk management strategy is infinitely better than none and, by virtue of going through the process, you will have gained valuable insight into the environment in which your organisation operates.

Risk management is a cyclical process with four stages.

1. Risk identification
Identify all the factors, events and situations that could present a risk to the organisation.

2. Risk analysis
Sort, score and rank risks as the basis for making decisions about how to handle them, considering likelihood and potential impact.

3. Risk control
Develop strategies and methods to avoid risks or minimise their impact, and fall back (contingency) plans for managing bad and worst case scenarios.

4. Risk monitoring
Monitor and review risks to determine whether the risk control actions under 3 above are effective, and whether their nature and/or likelihood has changed over time.

There are several options for controlling risk.

Avoid
Not undertaking the activity for which risk has been identified.

Prevent
Taking action to reduce the likelihood of a loss, for example, installing anti-virus software on ICT equipment. Development of robust internal policies is key to prevention.

Minimise

Taking action to reduce the consequences of a loss should it occur, for example installing sprinklers to slow the progress of a fire.

Accept

The organisation might be prepared to accept some risks, for example where the cost of preventative action significantly outweighs the likelihood and potential impact of the risk.

Transfer

Liability for the risk is transferred to another body. This might be through contractual arrangements, for example a sub contractor accepts the risks associated with contract delivery. Alternatively, risks flowing from financial loss are transferred to an external insurance company. It is the responsibility of the governing body to make sure that the organisation has adequate insurance cover.

Commonly adopted insurance policies include:
- Public liability insurance covering injury, loss or damage caused to Third Parties as a result of organisation negligence.
- Professional Indemnity Insurance offers protection against claims for negligence arising out of advice or information provided by the organisation.
- Legal Expenses Insurance covers specified legal expenses that may be incurred in defending or pursuing certain types of action, for example employment disputes.
- Fidelity insurance offers protection against staff or volunteer dishonesty.
- Accident and Sickness insurance covers the cost of paying sick pay to staff or for replacement personnel.
- Property & Equipment insurance is for buildings, contents and or portable property.

Developing a strategy

Developing a strategy for managing risk is an essential part of risk control (stage 3). It should:

- List and rank risks previously identified and analysed (stages 1 and 2).
- State what action will be taken to manage risks and identify resources allocated to managing risks.
- Assign roles and responsibilities for managing risks.
- Set out how and when risks will be monitored and reviewed (stage 4).

The risk strategy should correlate with the organisation's strategic and business plans and be reviewed when changes to these documents take place and where major changes in the operating environment become evident.

Further information

Wales Council for Voluntary Action
Tel: 0800 2888 329
www.wcva.org.uk

Health and Safety Executive
www.hse.gov.uk

Institute of Risk Management
Tel: 020 7709 9808
www.theirm.org

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The information provided in this sheet is intended for guidance only. It is not a substitute for professional advice and we cannot accept any responsibility for loss occasioned as a result of any person acting or refraining from acting upon it.

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