

Risk Management Policy

(approved November 2015)

SHEP's Management Committee is ultimately responsible for the successful operations of SHEP and the risks associated. The SHEP Management Committee will regularly review the risks to which the Project is subject and take action to mitigate risks identified. The SHEP Management Committee will act prudently to protect the assets, finance and property, of the Project making sure that controls are in place to both safeguard these assets and to ensure they are used to deliver the objectives of the Project. The SHEP Management Committee must avoid undertaking activities, which might place at undue risk, users of the Project, beneficiaries, volunteers, staff, **SHEP Governance Sub-committee** property, assets or reputation. The SHEP Management Committee will obtain advice from funders as appropriate, including the HSE and the Department, on all matters where there may be material risk to the Project or where the Directors may be in breach of their duties.

The responsibility for development and management of the risk assessment plan and strategies contained therein rests with the Project Director who may delegate this to a named individual on the staff team.

It is SHEP's policy to conduct a risk assessment annually. This is prepared by the Project Director with the staff team and reviewed at a meeting of the Governance Sub-committee. Once reviewed and accepted by the sub-committee it is to be presented to the full Board for sign off. This is normally completed by November each year.

The Risk Assessment will comprise the following steps:

1. Risk Identification

The risks to SHEP are normally categorised under six headings: **Governance & Management, Operational, Financial, Compliance, and Environmental**. All staff and stakeholders should be consulted in drawing up a list of identified risks.

2. Risk Assessment

Each identified risk should be scored according to the likelihood of a risk occurring against the damage it would cause to SHEP if it occurs as per the chart below:

3. Risk Management

A written strategy for managing each risk needs to be developed and reviewed annually both by the Board and the staff team.

Likelihood (Probability)				
Score - 1	Score - 2	Score - 3	Score - 4	Score - 5
Very Unlikely	Unlikely	Possible	Very Likely	Inevitable
<i>Previous experience at this and other similar Charities makes this outcome highly unlikely to occur.</i>	<i>Previous experience discounts this risk as being likely to occur but other Charities have experienced problems in this area</i>	<i>The Charity has in the past experienced problems in this area but not in the last three years.</i>	<i>The Charity has experienced problems in this area in the last three years</i>	<i>The Charity is experiencing problems in this area or expects to in the next 12 months.</i>
<i>There are effective, tested and verifiable controls in place that prevent occurrence of this risk.</i>	<i>There are controls in place that are tested and appear to be effective.</i>	<i>Some controls are in place and generally work but some controls are not tested on a regular basis.</i>	<i>Some controls in place but can be ineffective against external forces, legislative changes, government decisions etc.</i>	<i>No controls are in place, or external forces in play outside of the Charity's control.</i>
Consequence (Impact)				
Score - 1	Score - 2	Score - 3	Score - 4	Score - 5
Minor Loss	Medium	Multiple Medium	Serious Loss	Catastrophic
<i>Little or no financial impact (less than €)</i>	<i>The financial impact would be a loss or loss of income of no greater than €</i>	<i>The financial impact would result in a loss or loss of income of no greater than €</i>	<i>The financial impact would result in losses or loss of income of no greater than €</i>	<i>The financial impact would be greater than €</i>
<i>Minimal impact on surplus and income</i>	<i>Some impact on surplus and may affect transfer to sinking fund</i>	<i>Greater impact on surplus and sinking fund affected.</i>	<i>No surplus and no sinking fund. Reserves not utilised.</i>	<i>No surplus or sinking fund and reserves utilised.</i>
<i>Charity services are not disrupted.</i>	<i>Some temporary disruption to services.</i>	<i>Some disruption to critical services</i>	<i>Severe disruption to services resulting in them not carried out in some time.</i>	<i>Severe disruption to services to resulting in possible discontinuation altogether.</i>
<i>No impact on the delivery of the Charity's strategic objectives.</i>	<i>It may cost more or there may be delay in delivery of one of the Charity's business objectives.</i>	<i>Some strategic objectives could be delayed.</i>	<i>Some strategic objectives delayed or not delivered.</i>	<i>Unable to deliver certain key strategic objectives.</i>
<i>No loss of confidence and trust in the Charity</i>	<i>Minor loss of confidence and trust in the Charity</i>	<i>A general loss of confidence and trust in the Charity within the local community.</i>	<i>A major loss of confidence and trust in the Charity within the local community.</i>	<i>A disastrous loss of confidence and trust in the Charity both locally and nationally.</i>
<i>No regulatory or compliance issues</i>	<i>Minor regulatory or compliance issues but no fines or sanctions</i>	<i>Minor regulatory or compliance issues but minimal fines and sanctions</i>	<i>Serious regulatory or compliance issues resulting in material fines and sanctions</i>	<i>Serious regulatory or compliance issues resulting in material fines and sanctions or even closure</i>
<i>Reserves Un-Affected</i>	<i>Reserves Un-Affected</i>	<i>50% Reserves Un-Affected</i>	<i>Adequate surplus to cover this level of loss - Reserves not utilised.</i>	<i>Other reserves in place but may not be adequate.</i>

RISK SCORING

Inevitable	5	10	15	20	25
Very Likely	4	8	12	16	20
Possible	3	6	9	12	15
Unlikely	2	4	6	8	10
Very Unlikely	1	2	3	4	5
	IMPACT				
	Minor Loss	Medium	Multiple Medium	Serious Loss	Catastrophic

- IMMEDIATE ACTION REQUIRED
- SERIOUS RISK AND MUST BE LOOKED INTO
- LESS SERIOUS BUT MUST BE REVIEWED

IMPACT X PROBABILITY = RISK SCORE
(before controls implemented)

CONTROL EFFECTIVENESS IS RANKED AS FOLLOWS:

Internal Control Strength	Score	
Extremely robust controls	0.2	Almost completely remove any threat
Robust internal controls	0.4	Greatly reduce the threat of the risk to an acceptable level
Reasonable effective internal controls	0.6	Reduce the threat of the risk but NOT to an acceptable level
Internal Controls are Weak	0.8	Offer only minimal protection against the threat posed by the risk
Internal Controls are completely ineffective	1.0	Completely absent/ineffective and do NOT reduce the threat of the risk

TYPES OF CONTROL

- DIRECTIVE ie Setting Strategy, defining policies, setting budgets etc
- PREVENTATIVE ie Training individuals, regular reviews of policy, spending etc
- CORRECTIVE ie amending errors, updating policy
- RESTRICTIVE ie authority levels, governance

When controls have been identified, the inherent risk is multiplied by relevant score e.g.
If our inherent score is 25 but our controls are extremely robust, $25 \times 0.2 = 5$, which brings our risk down to less risky 5.

INHERENT RISK X INTERNAL CONTROLS = RESIDUAL RISK