



Pro Bono Consulting for Non-Profits

RISK MANAGEMENT

HOW TO IDENTIFY, ANALYZE
AND MONITOR RISK

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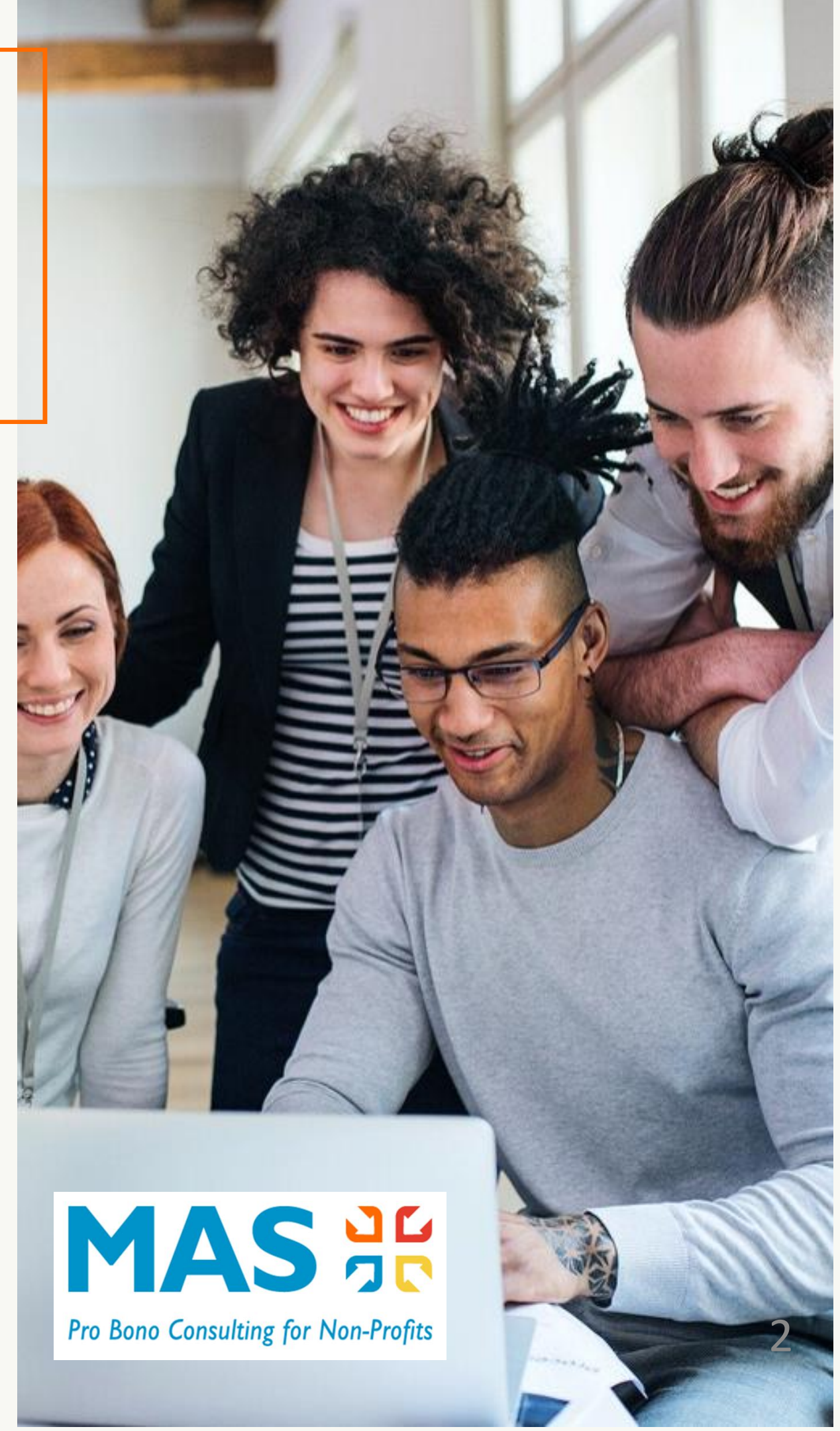
About MAS

MAS offers a wide range of pro bono consulting services for non-profit organizations, based on the extensive knowledge, expertise and resources of our Volunteer Consultants.

We do not charge fees for our services and all of our Volunteer Consultants' time is donated.

For more than 25 years, we are proud to have worked collaboratively with over 14,000 non-profit organizations in the Greater Toronto area.

Clients have ranged in size from very small – 2 to 3 people working out of church basements – to major, high profile social service agencies.



LEARNING OBJECTIVES

- UNDERSTAND IMPORTANCE OF RISK MANAGEMENT
- UNDERSTAND HOW TO IDENTIFY, ANALYZE & MONITOR RISKS IN YOUR ORGANIZATION
- TOOLS TO HELP THE ORGANIZATION MANAGE RISK
- BOARD/STAFF ROLES IN RISK MANAGEMENT

LEARNING MODULES

MODULE 1: DEFINE RISK & RISK MANAGEMENT

MODULE 2: HOW TO IDENTIFY, ANALYZE &
MONITOR RISK

MODULE 3: RISK MANAGEMENT FRAMEWORK

MODULE 4: ROLE OF BOARD/STAFF IN RISK
MANAGEMENT

WHAT IS RISK?

- (EXPOSURE TO) THE POSSIBILITY OF LOSS, INJURY, OR OTHER ADVERSE OR UNWELCOME CIRCUMSTANCES; A CHANCE OR SITUATION INVOLVING SUCH A POSSIBILITY...RISK IS AN UNCERTAIN EVENT OR CONDITION THAT, IF IT OCCURS, HAS A NEGATIVE IMPACT
- THE POSSIBILITY OF SOMETHING BAD HAPPENING

WHAT IS RISK? SOME EXAMPLES

- PANDEMIC
- FAILURE TO MEET TERMS OF CONTRACT
- FINANCIAL MISMANAGEMENT
- FIRE, THEFT
- LOSS OF KEY PERSON

RISK MGMT HAS MANY STAKEHOLDERS

- RISKS CAN IMPACT VARIOUS PEOPLE/ORGANIZATIONS
 - CLIENTS
 - STAFF
 - PARTNERS
 - FUNDERS
 - DONORS
 - PUBLIC
 - OTHER

RISK MANAGEMENT IS ONGOING

- IS
 - ONGOING
 - CULTURE
 - LENS
 - PROCESS
- IS NOT
 - ONE TIME EXERCISE
 - SOMEONE ELSE'S ISSUE
 - SOMETIME THING

RISK MANAGEMENT IS A PROCESS

- PROCESS BY WHICH YOU IDENTIFY, ANALYZE AND MANAGE RISKS – THERE ARE 4 STEPS:
 - STEP 1: IDENTIFY RISKS
 - STEP 2: ANALYZE EACH RISK
 - STEP 3: DECISIONS ABOUT RISKS
 - STEP 4: MONITOR RISKS

DEFINE RISK & RISK MANAGEMENT

- ANY QUESTIONS?

STEP 1: IDENTIFY RISKS

- IDENTIFY CATEGORIES OF RISK (E.G. FINANCIAL MANAGEMENT RISKS, IT RISKS, COMPLIANCE RISKS)
- RISKS WILL DIFFER DEPENDING ON TYPE OF ORGANIZATION & ACTIVITIES
- RISKS CHANGE OVER TIME

STEP 1: IDENTIFY RISKS

- EXAMPLE CATEGORIES OF RISKS
 - COMPLIANCE/LEGAL
 - FINANCIAL
 - LEGAL
 - REPUTATIONAL
 - EXTERNAL
 - PREMISES
 - HR

STEP 1: IDENTIFY RISKS - EXAMPLES

- **COMPLIANCE RISKS** – failure to comply with external (e.g. regulatory) or internal (e.g. bylaws) requirements
 - **LEGAL** – e.g. failure to meet contract requirements, failure to meet employment standards
 - **REGULATORY** – e.g. failure to meet health & safety standards
 - **CHARITY STATUS** – e.g. operate outside of charitable objects; failure to meet reporting requirements
 - **CONSTATING DOCUMENTS** – e.g. operate outside of bylaws

STEP 1: IDENTIFY RISKS - EXAMPLES

- OPERATIONAL RISKS
 - IT – e.g. lose client data, security breach
 - PROGRAMS – e.g. failure to protect client safety
 - HR – e.g. failure to comply with Employment Standards Act, failure to attract sufficient volunteers, loss of key person(s)
 - REAL PROPERTY – e.g. fire & theft
 - CAPACITY GAPS – e.g. staff not sufficiently trained or knowledgeable, ED retires

STEP 1: IDENTIFY RISKS - EXAMPLES

FINANCIAL RISKS

- FUNDING/REVENUE – e.g. funding cutbacks; failure to meet fundraising targets
- FUNDRAISING – e.g. event risks
- FINANCIAL MANAGEMENT – e.g. fraud
- INVESTMENT – e.g. market losses
- CASH FLOW – e.g. mismatch in timing

STEP 1: IDENTIFY RISKS - EXAMPLES

- REPUTATIONAL RISKS
 - FUNDRAISING – e.g. campaign results in negative messaging
 - PROGRAMS – e.g. clients not satisfied
 - STAFF MORALE – e.g. high staff turnover/dissatisfaction
 - PARTNERSHIPS – e.g. poor partnership performance

STEP 1: IDENTIFY RISKS - EXAMPLES

- EXTERNAL RISKS
 - NATURAL DISASTER – e.g. storms, flooding, no power
 - PANDEMIC – e.g. Covid, SARS
 - TERRORISM

IDENTIFY RISKS

- QUESTIONS?

STEP 2: ANALYZE EACH RISK

- FOR EACH RISK
 - WHAT IS THE LIKELIHOOD IT WILL HAPPEN?
 - WHAT IS THE CONSEQUENCE IF IT DOES HAPPEN?
 - HOW SEVERE IS THE IMPACT?

STEP 2: ANALYZE EACH RISK

- WHAT IS THE LIKELIHOOD IT WILL HAPPEN?
 - PAST EXPERIENCE
 - TRENDS
 - ENVIRONMENTAL ASSESSMENT
 - WHAT CONTROLS DO YOU HAVE IN PLACE?
- JUDGEMENT CALL
- RATE EACH RISK: HIGH, MEDIUM OR LOW

STEP 2: ANALYZE EACH RISK

- WHAT IS THE CONSEQUENCE IF IT DOES HAPPEN?
 - NAME THE OUTCOME(S)
 - HOW WOULD THE ORGANIZATION, CLIENTS, STAFF, OTHER STAKEHOLDERS BE IMPACTED?
 - EXAMPLES: loss of funds, negative impact on operations, potential legal liability, harm to clients/staff, loss of data

STEP 2: ANALYZE EACH RISK

- HOW SEVERE IS THE IMPACT?
 - LEVEL & DURATION OF DISRUPTION
 - LEGAL LIABILITY
 - FINANCIAL IMPACT
- RATE THE IMPACT HIGH, MEDIUM OR LOW

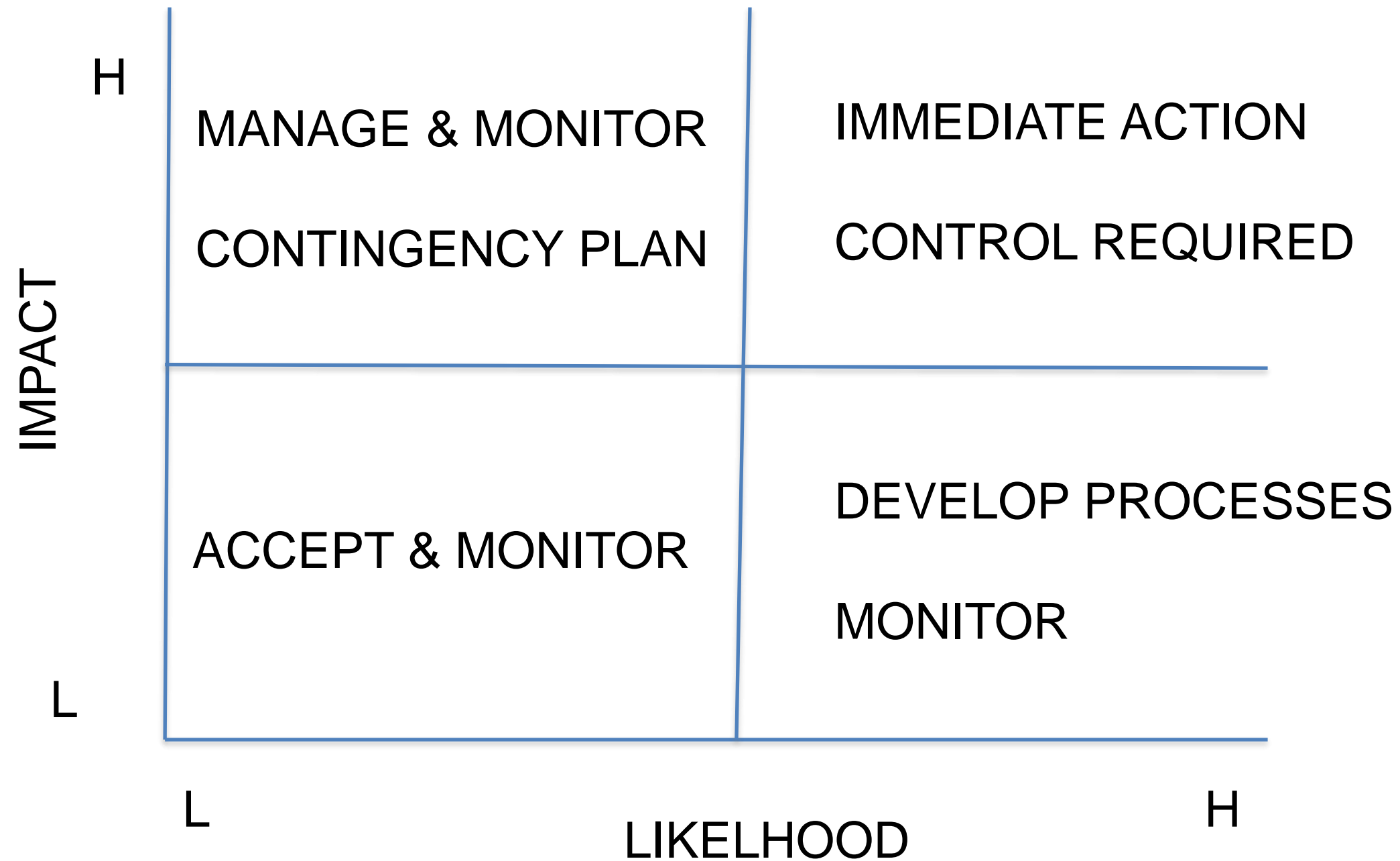
STEP 2 – ANALYZE EACH RISK

- QUESTIONS?

STEP 3: DECISIONS TO MANAGE RISKS

- REALLY ONLY 4 WAYS TO DEAL WITH RISK:
 - AVOID – stop/don't start; eliminate the risk
 - TRANSFER – insurance, contracts
 - CONTROL – policy, ED limits, reporting
 - MANAGE – processes, training, monitoring

STEP 3: DECISIONS TO MANAGE RISKS



STEP 4: MONITOR RISKS

- DEVELOP A RISK MANAGEMENT FRAMEWORK THAT IS UPDATED AND REVIEWED REGULARLY
- MANY FORMATS WILL WORK – NEED A FEW KEY PIECES OF INFORMATION
 - RISK, RATINGS, CONSEQUENCES, HOW IT IS MITIGATED/MANAGED
- HAS ANYTHING CHANGED?
- ARE YOU SATISFIED WITH THE WAY ANY GIVEN RISK IS MITIGATED/MANAGED?

EXAMPLE RISK MGMNT FRAMEWORK

RISK	LIKELIHOOD RATING	IMPACT RATING	CONSEQUENCE(S)	MITIGATION
FINANCIAL RISK 1				
RISK 2				
RISK 3				
LEGAL RISK 1				
RISK 2				

RISK MANAGEMENT FRAMEWORK - EXAMPLE

RISK	LIKELIHOOD RATING	IMPACT RATING	CONSEQUENCE(S)	MITIGATION
FINANCIAL				
Fraud	L	H	<ul style="list-style-type: none"> • Loss of funds • Possible reputational hit 	<ul style="list-style-type: none"> • Annual audit • Financial management policy implemented • Finance comm monitors
HR				
Loss of key person	M	M	<ul style="list-style-type: none"> • Negative impact on operations • Loss of knowledge • Potential loss of revenue 	<ul style="list-style-type: none"> • Succession plan in place for all key positions • All key processes documented

RISK MANAGEMENT FRAMEWORK

RISK	LIKELIHOOD RATING	IMPACT RATING	CONSEQUENCE(S)	MITIGATION
LEGAL				
Failure to protect privacy rights	L	H	<ul style="list-style-type: none"> • Inappropriate &/or illegal disclosure of information • Potential legal liability 	<ul style="list-style-type: none"> • Records procedures in place • Security processes in place
OPERATIONAL				
Theft of property	L	L	<ul style="list-style-type: none"> • Temporary loss of operational capacity • Expense to replace 	<ul style="list-style-type: none"> • Insurance in place covers any major losses • Security policy implemented

RISK MGMNT FRAMEWORK MODULE

- QUESTIONS?

ROLE OF THE BOARD

- LEAD BY DEMONSTRATING GOOD GOVERNANCE PRACTICES, INCLUDING EFFECTIVE OVERSIGHT
- DECISIONS FOR KEY ISSUES
- STRATEGIC PLANNING
- REVIEW FRAMEWORK REGULARLY
- ENSURE POLICIES ARE DEVELOPED & IMPLEMENTED
- ENSURE APPROPRIATE MITIGATION IS IMPLEMENTED
- ENSURE CRISIS MANAGEMENT PLAN IS IN PLACE & WORKS

ROLE OF MANAGEMENT

- LEAD BY EXAMPLE
- FLAG RISKS FOR THE BOARD
- PROMOTE RISK MANAGEMENT CULTURE
- DEVELOP RISK MANAGEMENT FRAMEWORK
- MANAGE & MONITOR RISKS
- DEVELOP & IMPLEMENT MITIGATION FOR RISKS
- ENSURE POLICIES ARE IMPLEMENTED

SOME RESOURCES TO HELP

- www.canadiancharitylaw.ca for Blumberg's Canadian Charity Legal Checklist
- <https://carters.ca/> for Carter's legal checklists
- <https://www.cpacanada.ca/search-results?#q=20%20questions>
for 20 Questions booklets
- <https://www.imaginecanada.ca/en>
- <https://www.blumbergs.ca/educational-programs/> for newsletter & programs

SOME FINAL THOUGHTS

- ALL ORGANIZATIONS TAKE RISKS TO ACHIEVE THEIR MISSION
- ALL ORGANIZATIONS NEED TO HAVE RISK MANAGEMENT IN PLACE – IT IS A KEY GOVERNANCE FUNCTION
- IT IS OFTEN COMMON SENSE AND GOOD PLANNING
- IT IS EVERYONE’S JOB
- START THE JOURNEY

Let's Talk



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DO MORE FOR THE
COMMUNITIES YOU SERVE.

LET US HELP YOU!



Thank you!