



*Pro Bono Consulting for Non-Profits*

# RISK MANAGEMENT

HOW TO IDENTIFY, ANALYZE &  
MONITOR RISK

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# WHAT WE WILL COVER

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- DEFINE RISK & RISK MANAGEMENT
- IDENTIFYING, ANALYZING & MANAGING RISKS  
– THE RISK MANAGEMENT PROCESS
- RISK MANAGEMENT FRAMEWORK
- ROLE OF BOARD/STAFF IN RISK MANAGEMENT



# WHAT IS RISK?

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- (Exposure to) the possibility of loss, injury, or other adverse or unwelcome circumstance; 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?

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- THREATS TO ACCOMPLISHING YOUR MISSION
- LOSING SOMETHING OF VALUE
- ADVERSE IMPACT ON OPERATIONS



# WHO ARE THE STAKEHOLDERS?

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- ORGANIZATION/BOARD
- CLIENTS
- STAFF
- PARTNERS
- DONORS
- PUBLIC



# WHAT IS RISK MANAGEMENT?

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## IS

- ONGOING
- CULTURE
- LENS
- PROCESS

## IS NOT

- ONE TIME EXERCISE
- SOMEONE ELSE'S ISSUE
- SOMETIME THING



# WHAT IS RISK MANAGEMENT?

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- PROCESS BY WHICH YOU IDENTIFY, ANALYZE AND MANAGE RISKS – 4 STEPS
  1. IDENTIFY RISKS
  2. ANALYZE RISKS
  3. DECISIONS TO MANAGE RISK
  4. MONITOR



# STEP 1: IDENTIFY RISKS

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- DIFFERENT WAYS OF CATEGORIZING RISKS
- RISKS WILL DIFFER DEPENDING ON TYPE OF ORGANIZATION & ACTIVITIES
- RISKS CHANGE OVER TIME





# STEP 1: IDENTIFY RISKS

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- CATEGORIES OF RISK
  - COMPLIANCE/LEGAL
  - OPERATIONAL
  - FINANCIAL
  - REPUTATIONAL
  - EXTERNAL



# STEP 1: IDENTIFYING RISKS

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## ○ COMPLIANCE RISK

### EXAMPLES:

- LEGAL – e.g. don't meet contract requirements, don't meet don't meet employment standards
- REGULATORY – e.g, don't meet health & safety regulations
- CHARITY STATUS – e.g. operate outside of charitable objects, don't meet reporting requirements
- CONSTATING DOCUMENTS – e.g. operate outside of bylaws



# STEP 1: IDENTIFYING RISKS

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## ○ OPERATIONAL RISKS

### EXAMPLES:

- IT – e.g. lose client data, security breach
- PROGRAMS – e.g. client safety
- HR – e.g. Employment Standards Act, don't attract sufficient volunteers
- REAL PROPERTY – e.g. fire and theft risk
- CAPACITY GAPS – e.g. staff not sufficiently trained or knowledgeable, ED retires



# STEP 1: IDENTIFYING RISKS

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## ○ FINANCIAL RISKS

### EXAMPLES

- FUNDING/REVENUE – e.g. funding cutbacks
- FUNDRAISING – e.g. event risk
- FINANCIAL MANAGEMENT – e.g. fraud
- INVESTMENT – e.g. market turndown
- CASH FLOW – e.g. mismatch in timing



# STEP 1: IDENTIFYING RISKS

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- REPUTATIONAL RISKS

EXAMPLES:

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



# STEP 1: IDENTIFYING RISKS

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- EXTERNAL RISKS  
EXAMPLES

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



# STEP 2: ANALYZE RISK

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- 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 RISKS

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- WHAT IS THE LIKELIHOOD IT WILL HAPPEN?
  - PAST EXPERIENCE
  - TRENDS
  - ENVIRONMENTAL ASSESSMENT
  - JUDGEMENT CALL
- RATE EACH RISK: HIGH, MEDIUM, LOW





# STEP 2: ANALYZE RISK

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- WHAT IS THE CONSEQUENCE IF IT DOES HAPPEN?
  - NAME THE OUTCOME(S)?
  - HOW WOULD THE ORGANIZATION, CLIENTS, STAFF, OTHER STAKEHOLDERS BE IMPACTED?



# STEP 2: ANALYZE RISK

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



# STEP 3: DECISIONS TO MANAGE RISK

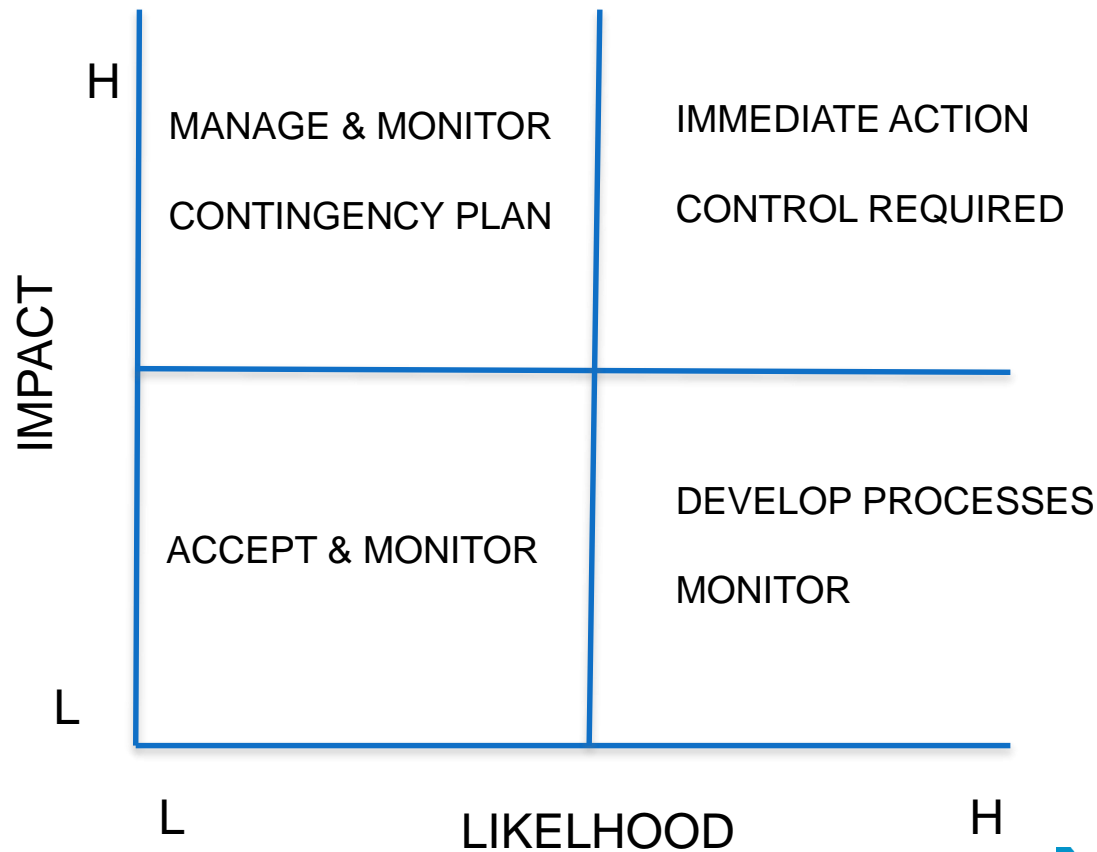
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- WAYS TO DEAL WITH RISK
  - AVOID – STOP/DON'T START – ELIMINATE THE RISK
  - TRANSFER – INSURANCE, CONTRACTS
  - CONTROL – POLICY, ED LIMITS, MONITORING
  - MANAGE – PROCESSES, TRAINING, MONITORING



# STEP 2: ANALYZE RISKS

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# STEP 4: MONITOR RISK

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



# RISK MANAGEMENT FRAMEWORK

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## ONE EXAMPLE

RISK	IMPACT RATING	LIKELIHOOD RATING	IMPACT	MITIGATION
FINANCIAL				
LEGAL				



# ROLE OF THE BOARD

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



# ROLE OF MANAGEMENT

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- FLAG RISKS FOR BOARD
- PROMOTE RISK MANAGEMENT CULTURE
- DEVELOP RISK MANAGEMENT FRAMEWORK
- MANAGE & MONITOR RISKS
- DEVELOP & IMPLEMENT PLANS FOR KEY RISKS
- ENSURE POLICIES ARE IMPLEMENTED





# SOME RESOURCES TO HELP

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1. [www.canadiancharitylaw.ca](http://www.canadiancharitylaw.ca) for Blumberg's Canadian Charity Legal Checklist
2. [carters.ca](http://carters.ca) for Carter's legal checklists
3. [cpacanada.ca](http://cpacanada.ca) for 20 Questions
4. [Imaginecanada.ca](http://Imaginecanada.ca)



# SUMMARY THOUGHTS

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



# HOW CAN WE HELP YOU?

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[www.masadvise.org](http://www.masadvise.org)

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