RISK MANAGEMENT
HOW TO IDENTIFY, ANALYZE & MONITOR RISK
CHRIS GOVERN, MAY 2019
WHAT WE WILL COVER

- 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?

- (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?

- THREATS TO ACCOMPLISHING YOUR MISSION
- LOSING SOMETHING OF VALUE
- ADVERSE IMPACT ON OPERATIONS
WHO ARE THE STAKEHOLDERS?

- ORGANIZATION/BOARD
- CLIENTS
- STAFF
- PARTNERS
- DONORS
- PUBLIC
## WHAT IS RISK MANAGEMENT?

<table>
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<tr>
<th>IS</th>
<th>IS NOT</th>
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<tbody>
<tr>
<td><strong>ONGOING</strong></td>
<td><strong>ONE TIME EXERCISE</strong></td>
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<td><strong>CULTURE</strong></td>
<td><strong>SOMEONE ELSE’S ISSUE</strong></td>
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<td><strong>LENS</strong></td>
<td><strong>SOMETIME THING</strong></td>
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<td><strong>PROCESS</strong></td>
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WHAT IS RISK MANAGEMENT?

- 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

- DIFFERENT WAYS OF CATEGORIZING RISKS
- RISKS WILL DIFFER DEPENDING ON TYPE OF ORGANIZATION & ACTIVITIES
- RISKS CHANGE OVER TIME
STEP 1: IDENTIFY RISKS

- CATEGORIES OF RISK
  - COMPLIANCE/LEGAL
  - OPERATIONAL
  - FINANCIAL
  - REPUTATIONAL
  - EXTERNAL
STEP 1: IDENTIFYING RISKS

COMPLIANCE RISK

EXAMPLES:

- LEGAL – e.g. don’t meet contract requirements, 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

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

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

- 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

- EXTERNAL RISKS
  EXAMPLES
    - NATURAL DISASTER – e.g. storms, flooding, no power
    - PANDEMIC – e.g. SARS
    - TERRORISM
STEP 2: ANALYZE 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 RISKS

- WHAT IS THE LIKELIHOOD IT WILL HAPPEN?
  - PAST EXPERIENCE
  - TRENDS
  - ENVIRONMENTAL ASSESSMENT
  - JUDGEMENT CALL

- RATE EACH RISK: HIGH, MEDIUM, LOW
STEP 2: ANALYZE RISK

- 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

- 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

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

IMPACT

H

MANAGE & MONITOR
CONTINGENCY PLAN

IMMEDIATE ACTION
CONTROL REQUIRED

L

ACCEPT & MONITOR

DEVELOP PROCESSES
MONITOR

LIKELIHOOD

L

H
STEP 4: MONITOR RISK

- DEVELOP A RISK MANAGEMENT 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

## ONE EXAMPLE

<table>
<thead>
<tr>
<th>RISK</th>
<th>IMPACT RATING</th>
<th>LIKELIHOOD RATING</th>
<th>IMPACT</th>
<th>MITIGATION</th>
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<tbody>
<tr>
<td>FINANCIAL</td>
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ROLE OF THE BOARD

- 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

- 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

1. www.canadiancharitylaw.ca for Blumberg’s Canadian Charity Legal Checklist
2. carters.ca for Carter’s legal checklists
3. cpacanada.ca for 20 Questions
4. Imaginecanada.ca
SUMMARY THOUGHTS

- 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?

www.masadvise.org

The foregoing is provided for general information purposes only.