

Risk Management Part 1



Hello and welcome to this e-learning session on Risk Management, brought to you by Columbia Basin Trust, and presented by Vantage Point.

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My name is Carol Neuman and I'm the Director of Learning at Vantage Point.

Vantage Point is a not-for-profit organization that supports other not-for-profits by providing foundational, advanced, and online learning opportunities. We work with more than 500 organizations and nearly 3000 not-for-profit leaders across BC.

Today, I'll be your e-learning facilitator and I will be providing you with some tips and tools to support you in following risk management best practices.



In this eLearning, we will explore the fundamentals of risk management.

We will start by talking about what is at stake with risk management. Then, we'll discuss the four main types of risk. And we'll close by looking at some questions you might ask to get the conversation about risk started at your organization.

Let's get started!

Risk Management
is rooted in protecting the mission

“...provides strategies, techniques and an approach to **recognize and confront** *any threat or danger* that may hinder **the organization from fulfilling its mission.**”

I want to start by getting to the core of why risk management matters. And it's simply this: risk management is rooted in protecting the mission of your organization.

Here's a quote from the Alliance for Not-For-Profit Management that will help explain this further. They describe the importance of risk management for not-for-profit organizations in a clear, straightforward way, telling us that risk management is really focused on “dealing with the possibility that some future event will cause harm”. Risk management then “provides strategies, techniques and an approach to recognize and confront any threat or danger that may hinder the organization from fulfilling its mission.”

What's important about the bolded words? They emphasize that risk management is about looking to the future to identify threats or risks. It's also about making sure that the organization confronts those threats or risks. And why? Because these threats could seriously hold the organization back from delivering its mission or programs.

It's a powerful message – risk management matters because the work your organization does is so important to the community. The great news is that risk

management is very straightforward and achievable, no matter whether your organization is large or small, volunteer-led or with a mix of staff and board.

Benefits of Risk Management

Strong reputation
In the community

Lower costs &
increased budget
certainty

Greater focus on
the mission

Improved safety

Better compliance
with the law

Stronger program
outcomes

By adopting a forward-looking risk management approach, you can create some positive benefits for your organization. When your organization manages risk well:

- You can create a stronger reputation in the community and have increased confidence from your external stakeholders.
- You can create some positive financial benefits, like lowering program or operational costs, and increasing the certainty of your budget.
- By managing and limiting risk, you can focus on what matters and pay more attention to your mission-related activities.
- Your organization can expect improved safety.
- You can also expect improved compliance with the law.
- And, finally, by managing risk, you can create better program outcomes.



It might be helpful to think about risk as falling into four different categories or types. For the purposes of this e-learning, we identify four core types of risk as: people, financial, property and goodwill. In a few moments, we'll explore the questions you would want to ask to understand each of the four types of risk. But first, let's focus on defining what we mean by each type.

The first type of risk is people. The people assets in your organization include staff, volunteers, clients, board members, and donors. People-related risks mostly have to do with whether you have the right people in the right roles with the right tools, support and training to perform their roles well. It also includes reducing the risk of physical harm to staff and volunteers as they perform their roles in the workspace. Remember, the board holds the legal responsibility for the well-being of the organization and individual board members may be liable for decisions made by the board and any financial or legal issues.

Next is financial risk. Managing your not-for-profit's financial risks involves knowing the status of your financial situation and taking steps to protect it. For many organizations, financial risks include fluctuating income sources. Some techniques for reducing income risk include business interruption insurance, establishing a reserve

fund, implementing sound financial controls, and diversifying income sources.

Then, we have property risk. People may be your most precious resource, but that doesn't mean that your organization couldn't be devastated by a severe property loss. Imagine what you would do if your organization's computers and accounting records were lost in a fire. Property is a broad category but could include your buildings, office furniture and fixtures, computers (both hardware and software), intellectual property (trademark, logo, or copyright), motor vehicles, and other equipment (that might be lawn maintenance equipment, program supplies, or art exhibits, just to name a few). It also includes cash and securities, financial assets and even property borrowed for special events. Property risks come in various forms, including those caused by nature (such as a flood, earthquake, forest fire, wind or tornadoes, and extreme heat or cold) or, result from human intervention (examples here might be fire, theft, vandalism, collision, or carelessness). Property risks also include the risk of physical harm to staff, volunteers or program participants caused by hazards or safety issues at your facilities. Remember, you are responsible for ensuring the spaces you operate in are safe for visitors, staff and volunteers.

Finally, we have goodwill or risks to reputation. Every not-for-profit organization understands that its reputation is key to fundraising, volunteer recruitment, staff retention, program delivery and overall good organizational health. Damage to a not-for-profit's reputation can be devastating, and many organizations with otherwise strong programs would have a hard time recovering from a serious blow to their reputation.

People Risks

Set expectations for board,
staff and volunteers

Create, communicate & follow
people policies

Ensure adequate insurance
coverage for liability

Let's look at the questions you might ask to explore the four types of risk at your organization.

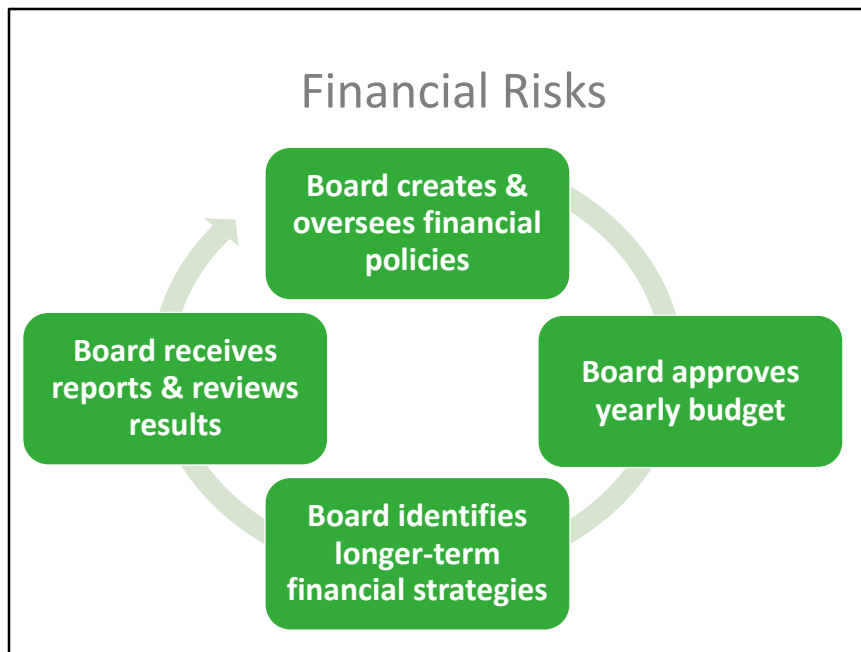
When it comes to risks related to people, risk management is focused on asking questions about:

- Recruitment & training:
 - Have you covered off your bases when it comes to working with minors? Are volunteers, board and staff given proper screening or background checks?
 - Do you provide a thorough orientation for Board members and volunteers? Do your staff receive ongoing training?
 - Do all the people involved in your organization – staff, board and volunteers – receive accurate and detailed job descriptions?
 - Have you included a discussion about risk in your volunteer and board orientation?
 - Do you engage in regular performance monitoring of staff, board and volunteers? Is your leadership staff person performing their duties as expected?

- Are your employees and volunteers safe while working for your organization? Have they been adequately trained for the jobs they are performing?
- Required skills & resources:
 - Does your board have the right skills to govern effectively?
 - Do you have the right staff with the right capabilities? Are they in the right roles?
 - Does your staff have the tools they need to be successful? Do they communicate in the right way and use effective processes?
 - Do you have the required people resources to deliver the programs we plan for?
- Liability and legal compliance:
 - Are your organization related facilities and work spaces inspected regularly for health and safety compliance? Are there processes in place to deal with health and safety accidents?
 - Is your organization aware of the liability for any accidents or injuries that occur on your property or at your events?
 - Are you following employment standards?
 - Do you have your program participants sign waivers and volunteers sign letters of agreement?
 - Do you have adequate insurance coverage to deal with people-related risks?

To manage this type of risk, you'll want to:

- Set expectations for board, staff and volunteers
- Create, communicate & follow people policies including position descriptions, letters of agreement, and waivers, and,
- Make sure you have adequate coverage for people-related liability. This means both safety-related liability stemming from accident or injuries, as well as Directors & Officers liability insurance. We'll talk a bit more about insurance in Part 2 of this e-learning series.

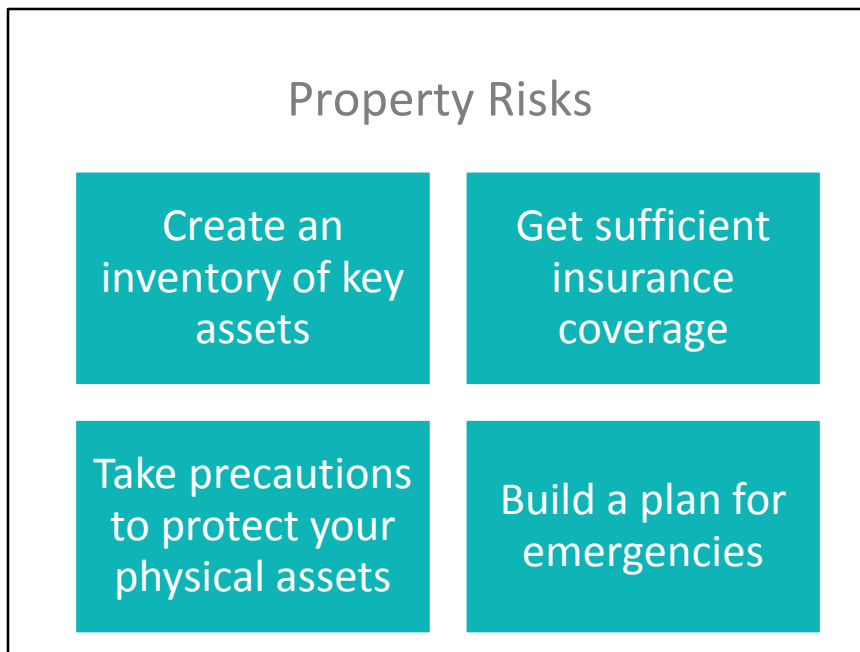


When it comes to financial risks, you might start by considering questions like:

- Do you know who is responsible for verifying and reviewing your organization's finances?
- Are your financial records up-to-date?
- Does the board receive regular, accurate financial reports?
- Does your organization follow the seven suggested financial policies and practices we outlined in the Financial Best Practices e-learning seminar?
- Do you have the checks and balances in place to prevent fraud?
- Are you compliant with tax regulations?
- Does your organization have adequate reserve funds?
- Are your financial and regulatory filings correct and submitted on time?

To manage this type of risk, the board needs to take a very active role in oversight. As we outlined in the Financial Best Practices e-learning, while the staff or operational volunteers will manage your day-to-day finances, the board will make sure policies are being followed, and project plans and budgets are on track. So, it is up to the board to make sure that financial policies are created & followed, and a reasonable budget is created, discussed and approved. The board also identifies longer term financial strategies, such as creating a reserve fund or diversifying income sources.

And, on an ongoing basis, the board receives and review regular financial reports.



When it comes to property, risk management might start with questions like:

- What are the key assets you need to protect in order to continue delivering programs and services?
- Do you have any physical security measures in place to protect your physical property?
- Are your facilities well maintained and free from hazards and safety concerns?

Actions you could take to safeguard your physical property might include:

- Create an inventory of key assets. This might include recording serial numbers of your computers, for example. Try to keep digital or physical copies of receipts for these items.
- Ensure you have sufficient property insurance for your premises.
- Conduct a regular inspection of your property and physical premises to identify any potential hazards, such as loose wires, tripping hazards or snow overhangs. Make a plan to have these maintenance issues addressed.
- Take precautions like video monitoring, alarm systems, safety and security processes, and security personnel to protect your organization from property risks such as theft or vandalism. Similarly, fire suppression systems, including smoke detectors, sprinklers and fire extinguishers, can prevent or limit fire damage.

- And finally, build a plan for emergencies. What will you do if there is a break-in at your office, or if a natural disaster strikes? How will you continue your programs and services? How and what information will you communicate to your stakeholders?

If you have any unusual risks relating to how you use physical property in your organization, we strongly encourage you to talk to an outside expert, such as an insurance broker or risk management professional.



The last area of risk has to do with goodwill, and here, risk management is about asking questions like:

- Who manages your organization’s brand and reputation?
- Who is responsible for reviewing content and messaging before it is presented to the public?
- Who responds to media inquiries and publicity requests?
- How do you ensure that the information your organization creates or promotes, the events it sponsors and the people it associates with match your organizational goals, mission, and values?

To manage risks related to reputation or goodwill, you might choose to:

- Create guidelines on how to effectively manage your organization’s marketing, communications and public relations activities. You might choose to engage trained staff or a skilled volunteer to take on this work. And, have your board decide who will be the official media spokesperson of your organization.
- You can create social media usage policies for your staff, volunteers or board.
- This may include other policies, such as removal of Board members or membership.
- You might also have a conversation about the best ways to monitor your

reputation in the community.

- Finally, decide how you will solicit and act on feedback from your staff, clients, members and partners.

Risk and the Board

Thinking about...

How does risk get on the board's agenda? How does the board... get the knowledge and experience it needs to oversee risk management? ...decide how much risk the organization can take on?

Now let's move on and think about how to start the conversation about risk.

The Canadian Institute of Chartered Accountants suggests a number of questions your organization might ask to get started thinking about risk management. So, let's look at some great questions to spark some conversation about risk at your organization. And let's start by thinking about the role of the board when it comes to risk. Here, questions you might ask include:

- How does risk get on the board's agenda? Is it through reports from staff? Part of the regular conversations planned for in the board calendar? Or, only when major issues arise?
- How does the board get the knowledge and experience it needs to oversee risk management?
- How can the board decide how much risk the organization can take on? I want to emphasize that every board will have a different level of risk tolerance.

Who is Responsible for Risk?

Thinking about...

Right now, who is responsible for managing risks? Who is engaged in conversations about risks? Is there consensus around what we see as the major risks facing our organization? Do we know what strategies does the organization use to manage risk? What records does the organization keep on its risks?

Now let's turn our attention to your current practices on risk. Questions you might ask include:

- Right now, who is responsible for managing risks? Is it staff? Board? A mix of both?
- What do we see as the major risks facing our organization? How do we identify and assess these risks? And perhaps most importantly, is there a shared understanding or consensus around the answers to these questions? This is an important area to focus on. Again, every organization will be slightly different in terms of the risks it faces. There are many factors influencing risk, and it's worth your time to explore which ones are most important to your organization. If you are a small, volunteer-run organization delivering arts programs, you may face very different risks than an organization of the same size that employs staff with a focus on doing outdoor programming and activities.
- Finding answers in this area will help you address the next question: Do we know what strategies the organization uses or will use to manage risk? Do we manage them as they arise, or more proactively?
- And, don't overlook the value of keeping clear records on risk. Which records are most important for you? This might be minutes from board meetings when risk is discussed; a risk management plan – which we will get into in detail in Part 2 of

this e-learning; financial filings; copies of insurance coverage or up-to-date personnel files.

Ability to Handle Risk

Thinking about...

What is our organization's financial ability to take on risk?
Are we satisfied with our current financial policies? How
does our organization's performance compare with its
plans and budgets?

Next, let's consider questions around your organization's financial capacity for risk. Here, we want to explore three key questions.

- First, what is your organization's financial ability to take on risk? This is another area where different organizations might have vastly different answers. This might depend on your current year budget, your financial reserves, your long-term financial strategy or your key revenue sources. The answer to this question might change from year to year.
- Next, are we satisfied with our current financial policies? Are we confident they are being followed correctly? Do we need to create new policies or amend any existing policies?
- And, third, how does the organization's performance compare with its plans and budgets?

Financial risk will likely be a significant part of the risk management conversation at your not-for-profit organization. It may be helpful to encourage curiosity when exploring these questions. Board members might bring with them different expectations or experiences around financial risks. Non-expert opinions can still be valuable in getting to what matters most around financial risk, so try to lean into the

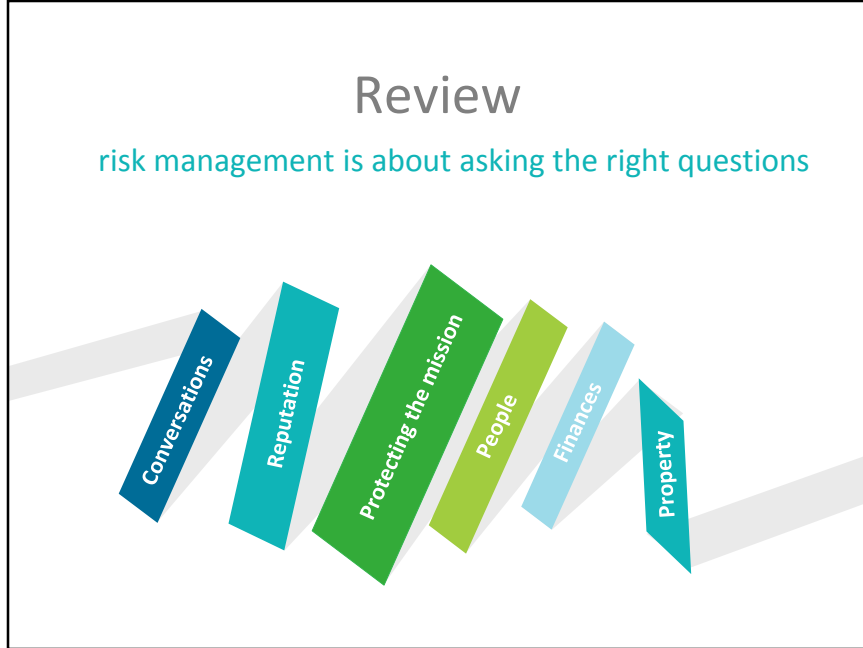
insights of the diverse experiences you have around the board table.

Communicating About Risk

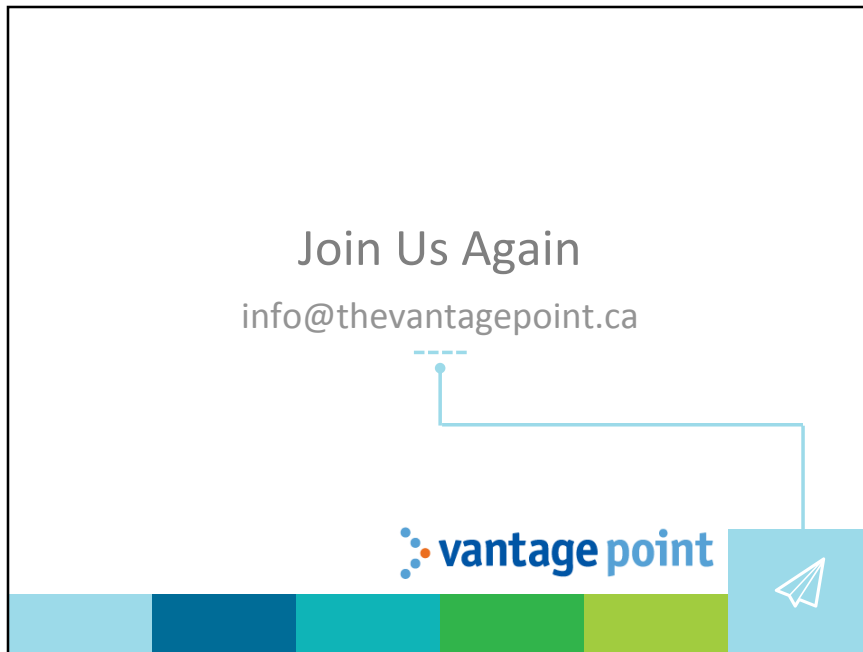
Thinking about...

What have we learned from our experiences with risk? How are the board's expectations for risk coordinated across the organization? Communicated to staff and volunteers?

The final set of risk-related conversation starters are in the area of communication and coordination. Here, you might want to think about how you can go beyond the board's role of identifying risk to look at how risk is talked about or managed across the whole of the organization. A few questions to help you get started in this area are:



In conclusion, risk management is an ongoing responsibility of everyone in the organization. Ultimately, managing risk is about protecting your mission. So, no matter if the organization has staff or is volunteer-led, you will want to make sure your organization has the conversations required to explore, understand and manage the risks your organization faces.



Thank you for joining us for this e-learning session. We hope you join us again for Part 2 of this e-learning on Risk Management.