



RISK MANAGEMENT AND ACCOUNTABILITY IN NPO SECTOR

Presentation by:

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NOT FOR PROFIT ORGANISATIONS
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Reinvigorating Public Interest in NPOs Sector



Presentation agenda



- ☐ Introduction to risk and risk management
- ☐ Why risk management for NPOs
- ☐ Practical application of Risk Management in NPOs



Presentation agenda



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Perception of Risk



Risk management is for banks

The internal audit syndrome

**If my risks are known/high/reported –
I am a bad performer**

**Am just too busy for risk management –
professional issues managers**

Hindrance?



Perception of Risk



Risk owned by ALL staff
Freely reported and shared
Applied in decision making

Enabler?



Attitude towards Risk management



What is Risk and Risk Management?

Risk: the effect of uncertainty on objectives

Risk Management: Coordinated activities to manage risks

ISO 31000:2009 - Risk Management Standard

Risk Management is really **Objectives Management** is really **Outcome Management**.



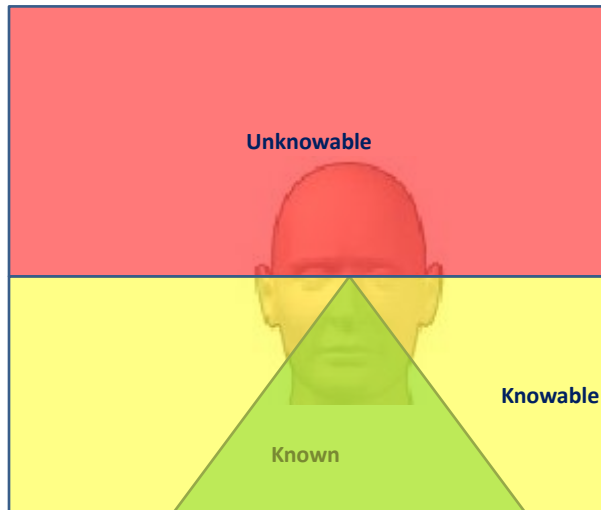
What is Enterprise Risk Management?

“... a **process**, effected by an entity's board of directors, management and other personnel [**everyone**], applied in **strategy setting** and across the enterprise, designed to identify **potential events** that may affect the entity, and manage risks to be within its **risk appetite**, to provide **reasonable assurance** regarding the **achievement of entity objectives**.”

Source: COSO Enterprise Risk Management – Integrated Framework. 2004. COSO.



Risk awareness



Common ERM Frameworks



Most widely used frameworks:

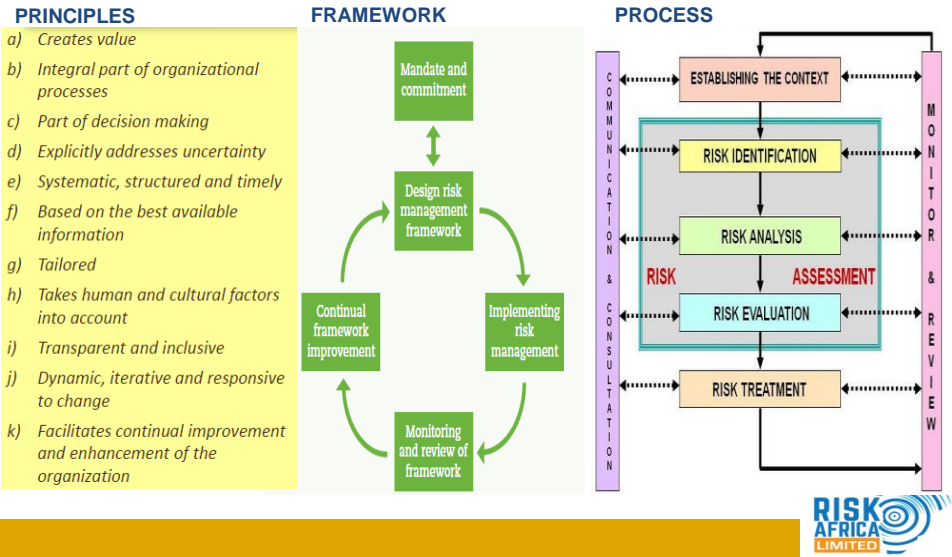
- ✓ ISO 31000: 2009 - Risk Management - Practices and Guidelines (Most appropriate for NPOs).
- ✓ COSO: 2004 - Enterprise Risk Management - Integrated Framework

Other relevant frameworks:

- ✓ Risk Management Guidelines for Charities – *The Institute of Risk Management* (Based on ISO 31000)



ISO 31000:2009 Risk Management Standard



Presentation agenda



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Why Risk Management in NPOs



1. Regulations, Laws and Industry guidelines
2. Ever increasing compliance requirements
3. Need to demonstrate resilience and sustainability
4. Need for greater accountability
5. Greater awareness of risk and risk management by boards and general management
6. Greater levels of accountability, responsibility and liability for directors
7. Greater levels of risk – existing and emerging
8. Needed as a marketing tool – Donors & Strategic partners
9. Awakening realisation that ERM is an enabler, not a hindrance



Presentation agenda



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- ☐ Why risk management for NPOs
- ☒ Practical application of Risk Management in NPOs



ERM Framework & Tools



ERM Policy

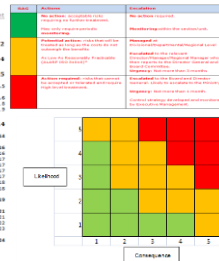
Risk Appetite Statement

Communications Authority of Kenya

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Risk Appetite Statement

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Risk Management Plan

Communication Authority of Kenya

Year Implementation Plan to June 2017 – RiskAfrica/HPMS			
S/N	Activity	Due to date	Responsible person
1	Official launch of RiskAfrica HPMS	14 th August 2016	Nathaniel Taryu
2	Training of Full users – desk-to-desk	25-30 th Aug 2016	Nathaniel Taryu – RiskAfrica Kenya – CA
3	Customized/Personalized dashboards for Senior Management (Directors & Director General)	01-03 Sept 2016	Gilbert/Kidul/Enemah
4	Strategic risk to Performance Management	24-31 Aug 2016	Gilbert/Enemah/Kidul
5	Review and update of Risk Appetite Statement	05-09 Sept 2016	Nathaniel Taryu
6	Training/Capacity building	12-13 Sept 2016	Gilbert/Kidul
7	Review and update of Risk Appetite Statement	05-09 Sept 2016	Nathaniel Taryu
8	Review and update of Risk Appetite Statement	05-09 Sept 2016	Nathaniel Taryu
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ERM Tools

1. Risk & Control Self Assessment
2. Key Risk Indicators
3. Incident Management
4. Compliance
5. Action Tracking
6. Risk-based Internal Audit

DASHBOARDS



Practical application



Steps 1: Define the Policy Framework

- Defines scope
- Defines risk and common terminologies
- Defines the principles of ERM
- Defines the methodology to be applied
- Addresses the governance structure and assigns responsibility



Practical application



Steps 2: Define the Risk Appetite/Tolerance

- ☐ Defining comprehensive measures of appetite/tolerance for Board to exercise oversight role.
- ☐ Going beyond Likelihood/Consequence matrices



Practical application

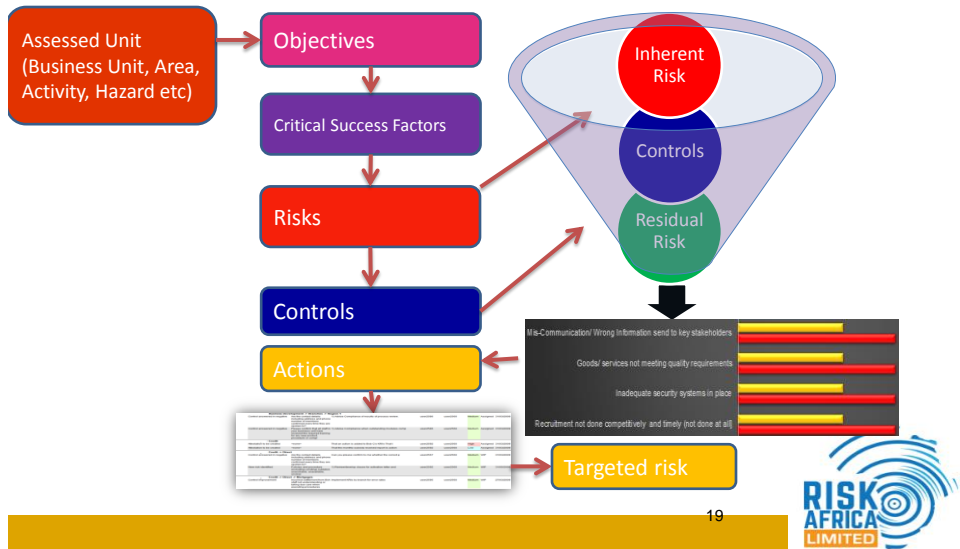


Steps 3: Conduct Risk Assessments

- ☐ The process of:
 - ☐ Identifying a risk
 - ☐ Analyzing the risk (causes, sources, factors, effects, controls, likelihood, consequence)
 - ☐ Measuring the risk against predetermined criteria considering controls
 - ☐ Treating the risk where not tolerable or not within risk appetite.



Conducting Risk Assessment



Practical application



Steps 4: Set up Risk Monitoring

- ☐ Key risk indicators
- ☐ Incident management
- ☐ Compliance monitoring
- ☐ Action tracking
- ☐ Escalation and workflow



Risk Management Tools



Desired outcome of driving your car



Future Risks

Current Risks

Past Risks

Repairs

Maintenance Checks

Police Checks

Service



Gauges / lights



Log book



Repair schedule

Check List



Vehicle Check



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Risk Management Tools



Desired outcomes of your business



Future Risks

Current Risks

Past Risks

Improvements

Control Compliance

Audit

1. R&C Self Assessment

2. Key Risk Indicators

3. Incident Management

4. Action Tracking

5. Compliance

6. Internal Audit



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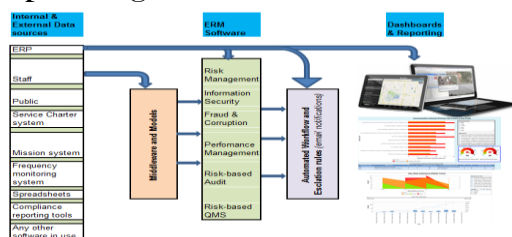
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Practical application



Steps 5: Implement tools for ERM

- ☐ Manual systems vs Automated systems
- ☐ Analytical tools
- ☐ Risk models
- ☐ Reporting tools - Dashboards



Practical application



Steps 6: Integrate with Management processes

Among others, integrate ERM with:

- ☐ Performance Management
- ☐ Strategic planning
- ☐ Projects
- ☐ Fraud & Corruption
- ☐ Business Continuity
- ☐ Information Security
- ☐ Security
- ☐ Legal/Regulatory Compliance
- ☐ Financial Management
- ☐ Quality Management etc



Practical application

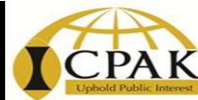


Steps 7: Set up assurance function

- ❑ Assurance to the Board that the Management is managing risks to be within the Boards risk appetite.
- ❑ The essence of Risk-Based Internal Audit (RBIA)



5 Lines of defense



Conclusion



Just as in banks and commercial institutions, NPOs are established to achieve certain objectives and thereby creates uncertainty. This is the fundamental reason why NPOs MUST embrace risk management.

As such, the question remains.....

“In your NPO, is RISK a.....



Hindrance?

or



Enabler?



The End



Thank You

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