



Rethinking Risk

A positive perspective

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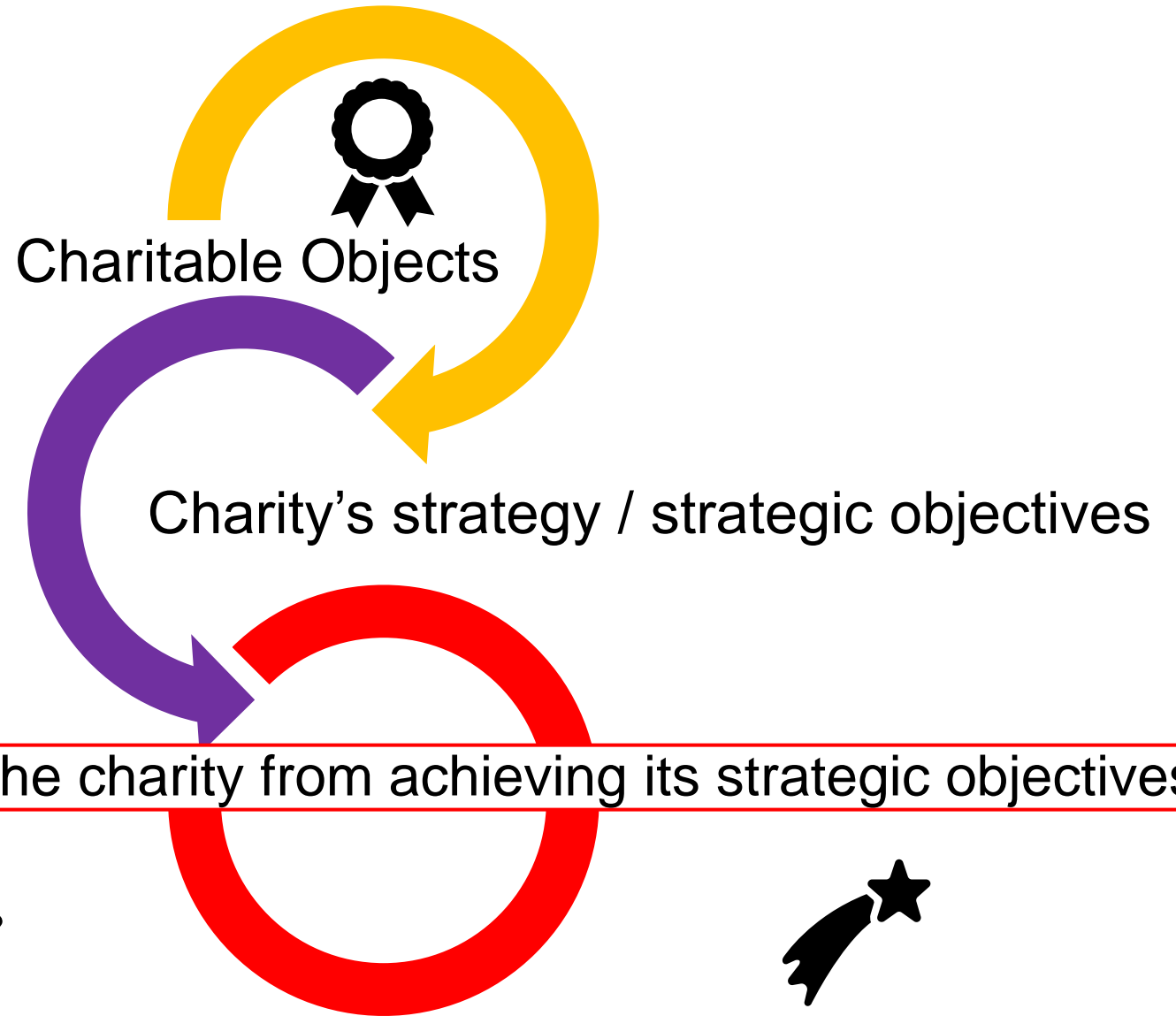
What will we cover?

- What do we mean by 'risk'?
- Trustees' responsibilities for risk
- Risk governance
- Risk management strategy – and risk registers
- Risks to reputation
- Opportunity and innovation
- Reassuring the Board
- Looking ahead
- Sector examples
- Q&A, and your experiences



***MANAGING RISK
– A DIFFERENT
PERSPECTIVE***

Risk



The Essential Trustee

6 main duties



Risk: Trustees' responsibilities

- **Collective Board responsibility** – onerous? induction for new Trustees?
- Risk governance, risk framework and 'tone from the top'
- Strategic and big picture risks, including risks to reputation
- Monitoring and assurance
- External reporting and stakeholder engagement

FRS 102 SORP para 1.46 (under Financial Review – for larger charities). The Trustees' Report **must** [include]:

'a description of the principal risks and uncertainties facing the charity and its subsidiary undertakings, as identified by the charity trustees, together with a summary of their plans and strategies for managing those risks'

Charity Governance Code

Home

About the Code ▾

Foundation: the trustee role and charity context

1. Organisational purpose

2. Leadership

3. Integrity

4. Decision making, risk and control

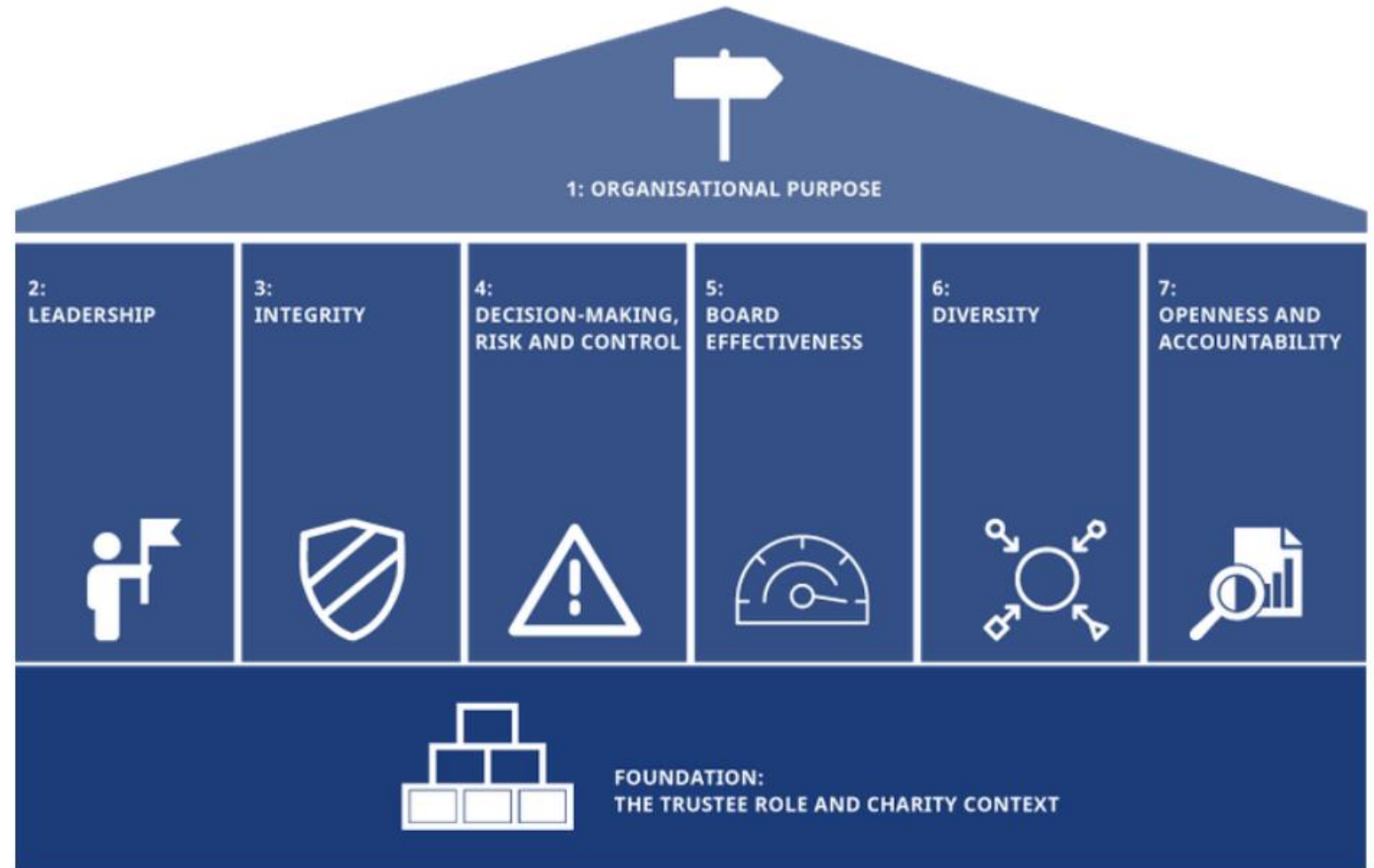
5. Board effectiveness

6. Diversity

7. Openness and accountability

The principles - especially Principle 4

There are seven principles which make up this Code. These seven principles build on the assumption that a charity is meeting its legal and regulatory responsibilities as a foundation.

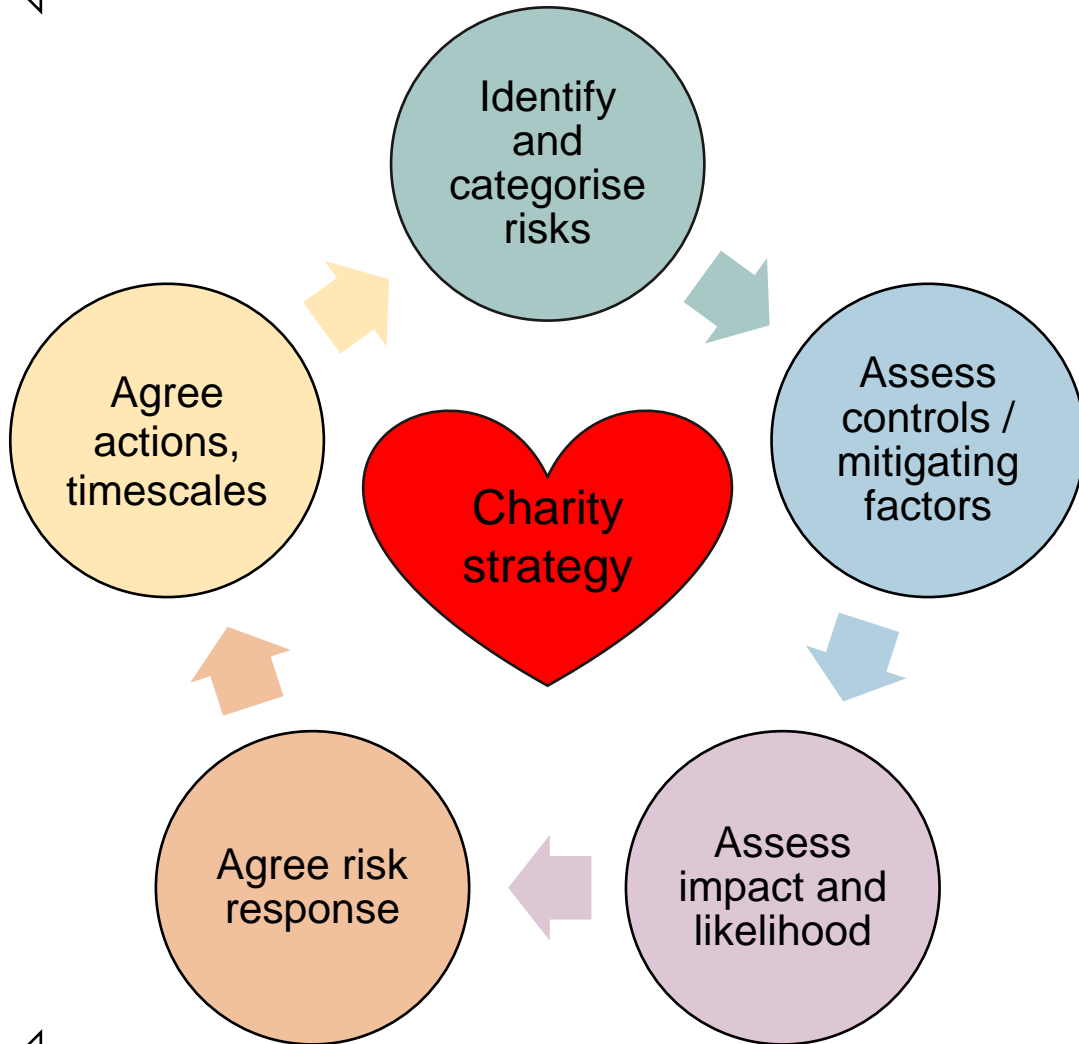


As a Board of Trustees, do we.....

- set the charity's risk culture, and define the charity's risk policy?
- know how much risk the charity is prepared to take – and why / when?
- have a clear understanding of the risks facing the charity and the cumulative effect?
- know and understand the level of risk inherent in the charity's strategic plan and operating model?
- think that the charity's resource allocations and reserves policies (still) fit the operating model?
- actively consider opportunities...and do we – and the management team - feel empowered to take them?
- trust the indicators for alerting us if something is going wrong, or if additional opportunities come to light?
- feel confident that our charity's staff know all of this too....how do we know they feel the same?
- feel comfortable about this, particularly given the impact of the pandemic on the charity / sector / more widely?



Risk culture and risk policy: Attitude and tolerance to risk



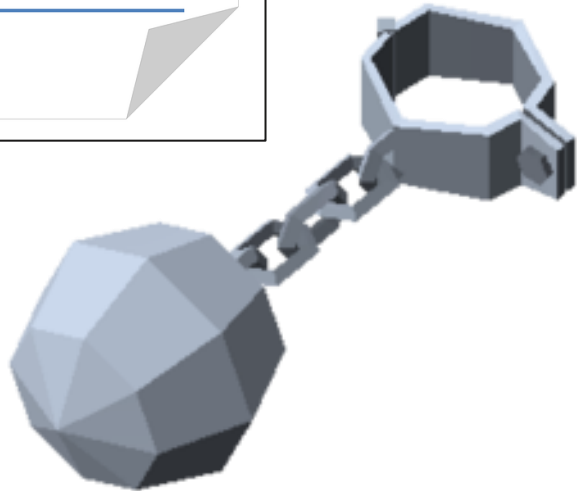
- Refresh the charity's risk register and risk management strategy
- Capture strategic risks, and risks to reputation
- Opportunity and innovation
- Reassuring the Board

Review, refresh, monitor

How do you feel about your charity's risk register?.... 😐

CHECKLIST

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Making your risk register – and risk management strategy – work better (1)

1. **Re-engage** the Board, staff – and stakeholders
2. **Remember** – that your risk register is an integral part of the charity's risk governance / management strategy, not the only component
3. **Realign** with the charity's risk policy – in some areas do you now, in fact, have more confidence and information to take more risk?

Making your risk register – and risk management strategy – work better (2)

4. **Revisit** the risk ‘categories’ and the way the risks are described. Strategic risks? Headline risks? Causes and consequences? Inter-dependencies?
5. **Redefine** key terms and review scoring mechanisms – ensure there is clear, collective understanding about, for example:
 - **likelihood** and **impact**
 - split impact further into financial / reputation impact?
 - prioritising for action (time) and resources
 - **gross** and **net risk**
6. **Re-confirm the controls and mitigating factors** – and accountability

Making your risk register – and risk management strategy – work better (3)

7. **Reassess** risk responses – link back to risk appetite (which has probably changed)
 - Accept
 - Controls? Management action / intervention?
 - Mitigate
 - Avoid
 - Transfer

8. **Review** the key risk indicators – ‘flags’ for the Board

9. **Re-affirm** – that your risk register is a living document, with regular review and update

10. **Report your progress!** Stakeholders, SORP requirements and CGC recommendations

Risks to reputation

- What do you mean by ‘reputational risk’? Often too vague
- Relates to the crystallisation of other risks, actions, events, opportunities
- Need to get behind – and describe - the cause and the consequence of these actions, events etc
- Reputation risk lies in the **gap between what you say and what you do**
- Response plan *must* start with, and involve, your charity’s stakeholders
- Needs to be far more than a reaction when things go wrong
- Build up ‘reputation capital’ – define impact and achievements
- How does the Board deal with this, and monitor?

Stakeholder Expectations minus Experience equals Reputation

(Oonagh Mary Harper 2002)

Opportunity and innovation

- RR may include ‘failure to grasp opportunities’, or to innovate – what do you mean by that?
- RR / RMS may overemphasise the avoidance of a negative event or a hazard
- Recent events could increase tendency to focus on risk prevention, or addition of more controls
- Change in mindset? Board support, trust, openness, honesty
- Framework for decision-making: risks vs. rewards - *and safety net*
 - Review ways of working – adapt / continue?
 - Vary the use of funds * (funder approval?)
 - Set aside development funds *
 - Collaborations, joint working
 - Pilot new activities / projects

‘Discipline makes daring possible’

Dr Atul Gawande (2014 Reith lectures)

Reassuring the Board

- ‘Board assurance framework’ – revisit it, but don’t overcomplicate it
- ‘Three lines of defence’ – how do these interact in your charity?
 - Operational risk management – day to day processes, policies, procedures and controls
 - Management oversight - supervision, review, challenge
 - Independent review and reporting to the Board
- Structure and role of the Board’s Committees – and could link to CGC review
- Board information - what does the Board really need to know, how and when?
 - Structure of Board agendas and papers
 - Risk ‘dashboards’ and summary risk information – graphs and charts can work well
 - Managing surprises - what’s moving? what’s on the horizon?

Looking ahead

- Planning for – and embracing – the ‘new normal’
- How will your charity’s strategy, operating model and therefore its risk management strategy and governance structures need to change?
- **Sector examples**



Thank you for listening



Questions, Answers and your Experiences

If you have further questions, please visit:

- ICAEW Global recovery: www.icaew.com/insights/covid-19-global-recovery
- ICAEW Coronavirus Hub: www.icaew.com/coronavirus
- Direct enquiries: www.icaew.com/contact-us/helplines-and-support
- Feedback / Insights: <https://r1.dotmailer-surveys.com/bb41f58a-124mcd1d>
- CABA: www.caba.org.uk