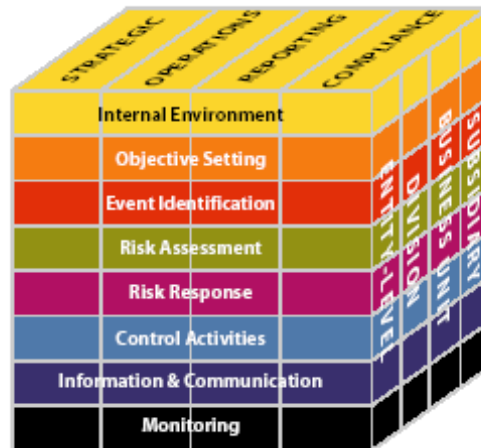


WHY RISK MANAGEMENT FOR NGOS

- No surprises
- Forces NGOs to re-consider their vision, missions and risk appetite
- Affects funding from government or through fund raising
- Affects service targets and social workers themselves
- Leads NGOs to assess risks and deploy measures to mitigate risks, ensuring effective use of resources and sustainability

COMPONENTS OF ENTERPRISE RISK MANAGEMENT (COSO)



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CONTROL ENVIRONMENT

- The internal environment encompasses the tone of an organization
- Sets the basis for how risk is viewed and addressed by an entity's people, including risk management philosophy and risk appetite, integrity and ethical values, and the environment in which they operate.

4

OBJECTIVE SETTING

- This enterprise risk management framework is geared to achieving an entity's objectives, set forth in four categories:
- Strategic – high-level goals, aligned with and supporting its mission
- Operations – effective and efficient use of its resources
- Reporting – reliability of reporting
- Compliance – compliance with applicable laws and regulations.

5

EVENT IDENTIFICATION

- Internal and external events affecting achievement of an entity's objectives must be identified, distinguishing between risks and opportunities.
- Opportunities are channeled back to management's strategy or objective-setting processes.

6

RISK ASSESSMENT

- Risks are analyzed, considering likelihood and impact, as a basis for determining how they should be managed. Risks are assessed on an inherent and a residual basis.

7

RISK RESPONSE

- Management selects risk responses – avoiding, accepting, reducing, or sharing risk – developing a set of actions to align risks with the entity's risk tolerances and risk appetite.

8

CONTROL ACTIVITIES

- Policies and procedures are established and implemented to help ensure the risk responses are effectively carried out.

9

INFORMATION AND COMMUNICATION

- Relevant information is identified, captured, and communicated in a form and timeframe that enable people to carry out their responsibilities.
- Effective communication also occurs in a broader sense, flowing down, across, and up the entity.

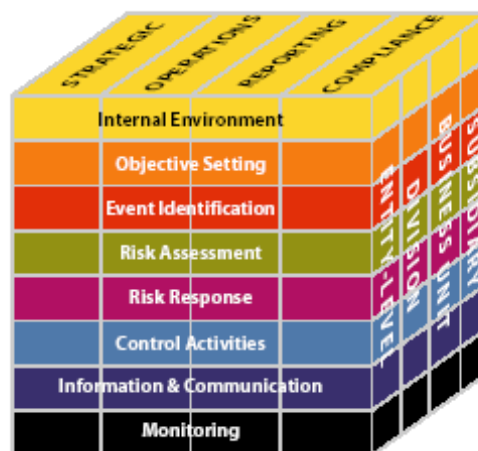
10

MONITORING

- The entirety of enterprise risk management is monitored and modifications made as necessary. Monitoring is accomplished through ongoing management activities, separate evaluations, or both.

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COMPONENTS OF ENTERPRISE RISK MANAGEMENT (COSO)



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HOW TO IDENTIFY EVENT (RISK)

1. BRAINSTORMING

- A team of cross functional employees
- Facilitated by a brainstorming trainer
- Understand objectives of the organization
- Open minded
- Benefit – unknown risks are identified
- Limitation – fear of humiliation

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HOW TO IDENTIFY EVENT (RISK)

2. FACILITATED WORKSHOP

- Participated employees given risk universe in advance
- Enabled by a Risk Management facilitator
- Benefit – practical risks are identified
- Limitation – not thinking “out of the box”

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HOW TO IDENTIFY EVENT (RISK)

3. QUESTIONNAIRE

- A standard questionnaire is sent to all units
- Units are trained to complete the questionnaire
- Benefits – Saves time and resources, not going astray
- Limitation – Deters consideration of risks not in the questionnaire

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HOW TO IDENTIFY EVENT (RISK)

4. OTHER TECHNIQUES

- Interview and self assessment
- SWOT analysis
- Scenario analysis – to identify high impact, low probability risks
- Interactive voting software and Web polling

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RISK ASSESSMENT

- Risk rating table
- Likelihood table
- Risk impact/ consequence table
- Risk register

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RISK RESPONSE

- Risk Register
- Avoiding, accepting, reducing, or sharing risk
- Develop a set of actions to align risks with the entity's risk tolerances and risk appetite.

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CONTROL ACTIVITIES MITIGATION / FURTHER ACTIONS REQUIRED IN RISK REGISTER

- These may include policies and procedures relating to supervision, authorization, approvals, verification, reviews, arithmetical check, reasonableness test, safeguarding of assets and segregation of duties, etc
- Preventive, detective and corrective controls
- Segregation of authorization, custody and recording

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RESOURCES REQUIRED

- A formal Risk Management does not necessarily require extra staff or a major financial investment.
- This should be part of the NGO's existing management process, a management tool that recognises and builds on what they are already doing to manage risk

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PEOPLE INVOLVED

- Risk facilitator
- Board
- Top Management
- Middle Management
- Risk champions

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RESOURCES INVOLVED

- There are risk management software in the market
- Use Word or spreadsheet

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WHEN TO DO IT

- When to develop/update the risk register?
 - Ongoing assessment of emerging or significant risks
 - Should there be new business processes or new projects, do at planning stage
 - Half-yearly and yearly for submission to the Management and Board

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WHEN TO DO IT

- What if there is no change to the business process since last submission ?
 - External environment may change;
 - Control activities may not be working effectively
 - Other factors like staff turnover or job rotation
 - So, yes, you still need to perform the risk assessment but effort involved may be less than the first assessment
- Expect to do a thorough re-assessment from zero base every 3 years

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USE OF FRAMEWORK FOR SMALL AND MEDIUM ORGANIZATIONS

- Can scale down impact, likelihood and risk rating to 3 levels
- Can perform risk assessments on an annual basis

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Questions?

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Thank you

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