



DEFINITION OF RISK (ISO31000)

- Risk is the 'effect of uncertainty on objectives'.
- In this definition, uncertainties include events (which may or may not happen) and uncertainties caused by ambiguity or a lack of information.
- It also includes both negative and positive impacts on objectives.
- Risk can be an opportunity as well as a threat.

ENTERPRISE RISK MANAGEMENT FRAMEWORK (COSO)

- Enterprise risk management is a management process,
- effected by board of directors, management and other personnel of an entity,
- designed to identify potential events that may affect the entity,
- and manage risk to be within its risk appetite,
- to provide reasonable assurance regarding the achievement of entity objectives.

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RISK APPETITE (RISK TOLERANCE)

- Risk appetite reflects the enterprise's risk management philosophy, and in turn influences the entity's culture and operating style.
- It is considered in strategy setting.
- What risks the organization should accept or avoid
- What are the strategic, financial and operating parameters

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POSSIBLE RISKS FACED BY A NGO

BUSINESS RISKS

- Reputational risk
- Brand building and social marketing
- Social entrepreneurship and Innovation
- Partnership risk
- New organization offering similar service
- General / regional economic problems
- Political risks

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FINANCIAL RISKS

- Sustainable fund raising
- Market risk
- Credit risk
- Interest risk
- Currency risk
- Liquidity risk
- Fraud
- Budget failures
- Unreliable accounting records

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COMPLIANCE RISKS

- Breach of Section 88 of the Inland Revenue Ordinance
- Breach of Companies Ordinance requirements
- Breach of Societies Ordinance
- Breach of Trustee Ordinance
- Breach of other regulations and laws
- Breach of Personal Data (Privacy) Ordinance
- Litigation risk
- Tax problems
- Health and safety risks
- Environmental problems

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OPERATION AND OTHER RISKS

- Unfulfilled promises/pledges to donors
- Abuse of elder, youth or intellectually / physically disabled service users
- Volunteers induction, management & retention
- Sports/ recreation/ activity program risks
- Breach of confidentiality
- Inadequate insurance coverage
- Inefficient / ineffective management process
- Inadequate HR screening process
- Insufficient training

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OPERATION AND OTHER RISKS

- Skills shortage
- Physical disasters (e.g., fire and explosion)
- Computer viruses or other system malfunctions
- Loss of physical assets
- Loss of key people
- Loss of key contracts

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OPERATION AND OTHER RISKS

- Lack of business continuity planning
- Succession problems
- Inability to reduce cost base
- Over-reliance on key suppliers or customers
- Poor service levels
- Quality problems

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OTHER RISK CATEGORIES

- Strategic
- Employee
- Fraud
- Governance and ethics

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HOW TO DO IT

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

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Risk Impact/ Consequence Table

Risk Category and Rating	Minimal 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
Financial	Financial loss less than \$	Financial loss between \$ and \$	Financial loss between \$ and \$	Financial loss between \$ and \$	Financial loss over \$
Reputation & Brand	Media coverage	Minor criticism by public and media	Medium criticism by public and media. Loss of support from a few donors.	Severe criticism by public and media. Loss of support from half of the donors.	Prolonged criticism by public and media. Loss of support from all donors.
Legislative / Regulatory	Non compliance advised by regulators	Non compliance advised by regulators and small fines	Non compliance advised by regulators and fines between \$ and \$	Regulator threatens loss of license. Fines over \$	Loss of license. Prison sentences for directors or officers

Other risk categories may include business, strategic, operations, employee, fraud, environment, health and safety, fund raising, governance and ethics

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Likelihood Table

Rating Code	Likelihood	Description	Probability	Indicative Frequency
A	Almost Certain	Facing it now or expected to occur	90% and above	Occurs at least weekly
B	Likely	Probably will occur	76 – 89 %	Occurs at least monthly
C	Possible	May occur	21 – 75 %	Occurs annually
D	Unlikely	Not likely to occur	6 – 20 %	Unlikely to occur in the foreseeable future
E	Rare	Most unlikely to occur	0 – 5%	A black swan event

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Risk Rating Table

	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (A)	Significant	Significant	High	Extreme	Extreme
Likely (B)	Medium	Significant	Significant	High	Extreme
Possible (C)	Medium	Medium	Significant	High	High
Unlikely (D)	Low	Medium	Medium	Significant	High
Rare (E)	Low	Low	Medium	Significant	High

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Questions?

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Thank you