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Whitepaper

A Guide for Charities & Not-for-Profits

10 Warning Signs of Inadequate Risk Management

In a sector characterised by significant, persistent, and pervasive risk, - charities & nonprofit organisations can't afford to be on the back foot when it comes to risk management.

Taking risks is an everyday part of charitable activity, so much so that risk management sits at the very heart of the 2017 Charity Governance Code. Managing those risks effectively is imperative to safeguard a charity's funds & assets and is a key part of a trustee's role.

A comprehensive risk management programme is essential to identify, assess and control the full range of potential vulnerabilities. Charities & NGOs often operate in complex environments and face a variety of risks that can impact their operations, reputation, and ability to collect donations & complete their charitable missions.

Key risks for the charitable sector include:

Compliance Risk
Failure to comply with laws & regulations can result in legal penalties and reputational damage.

Reputational Risk
Negative publicity, scandals, or controversies can damage reputation and impact donations.

Operational Risk
Resources, infrastructure, and technology risk must be managed effectively.

Governance Risk
Inadequate governance practices can lead to conflicts of interest & ethical violations.

Financial Risk
This includes drops in donations, reliance on limited donors, and improper management & allocation of funds.

Health & Safety Risk
Operating in conflict zones or areas with high crime rates can expose staff to a myriad of health & safety related risks.

Cybersecurity Risk
NGOs often handle sensitive donor and beneficiary information, making them vulnerable to data breaches and cyberattacks.

Third-party Risk
Relying heavily on partners & contractors can create risks if those partners fail to fulfil their commitments.

Resource Risk
Poor succession planning and leadership changes can disrupt organisational stability and strategic direction.

Ethical Risks
Charities can face conflicts of interest, money laundering and unethical practices – these risks must be carefully managed.

Natural & Environmental Risks
Working in disaster-prone areas charities must prepare for the potential impact of natural events on their operations and projects.

Project Risk
Ineffective planning, execution, and monitoring of programmes can result in project failures and wasted resources and can hinder future funding opportunities.

With so many risk areas to consider, charities must have a defined risk appetite to absorb a certain amount of managed risk, while protecting the organisation from intolerable risk. Those risks in turn must be correctly identified, assessed, and managed in order to single out threats & opportunities throughout the organisation - not only as a routine part of business operations, but also to ensure the longevity of the charity. Today, nonprofits everywhere are facing the challenge of pursuing fresh opportunities, while simultaneously protecting themselves against; damage to their reputations, donor data breaches, fund-raising fraud, and more.

As your organisation evolves and adapts to function in a digital future, it is inevitable new areas of risk will emerge. Does your charity have a fully- functioning, 'risk strategy'? Is it integrated into the decision-making process at all levels throughout the organisation? An efficient risk management programme is the key for your nonprofit to remain agile and responsive in the face of uncertainties. Implementing a governance, risk, and compliance (GRC) framework is the first step to building a truly effective risk management approach that grows and evolves with the needs of the charity.

Where to begin?

Start with addressing a few basic questions:

1. What can prevent us from achieving our strategic objectives?
2. What do we have in place to stop something going wrong?
3. How effective are those controls?
4. How will we know something has gone wrong?
5. Who needs to know something has gone wrong?
6. What more could we be doing?

Nonprofits might not have a crystal ball to help decipher the future, but they need to take steps to become radically aware of threats & opportunities to reach their full potential and fulfil their mission. Exploring answers to these questions is a good test of a nonprofit organisation's risk management strategy.

10 Warning Signs of Inadequate Risk Management

For a lot of nonprofits & charities, risk management is one of those tasks that is deemed to provide little to no value and is simply seen as a "tick the box" exercise. But, when done correctly, risk management can add value, uncover opportunities, and protect the organisation to ensure log-term success. Charities & NGO's must embrace risk management and use it to add strategic value by implementing effective controls, anticipating problems, and using the data to inform their plans and make strategic decisions.

Not all risk management programmes are up to scratch! Here are 10 signs that indicate that your risk management approach could use an upgrade!

1

You rely on spreadsheets or an inhouse tool

Many nonprofit organisations still rely heavily on Google Sheets and Excel spreadsheets to manage their operations. From budget tracking to donor management - and even risk management - spreadsheets have become a ubiquitous tool in the nonprofit sector. And while spreadsheets can be a good place to start for some smaller organisations with immature risk management programmes, as organisations expand, it becomes unmanageable. Complex processes like risk management require multiple users, complex data mapping, control monitoring, automation, strict data governance, and in-depth reporting & analytics – and spreadsheets simply don't offer this level of functionality. As your nonprofit grows and expands its reach, relying solely on spreadsheets fast becomes a liability.

Slightly more mature organisations might be using an inhouse system, these can often be tricky to use as they rely on the knowledge of the team who created the system, they can be slow & clunky and don't provide the permissions hierarchy, data governance, task dashboards, and in-depth reporting required by leaders.

These manual out-dated approaches to risk management deprive risk leaders of vital knowledge to anticipate and respond to risk. Therefore, leaders don't have the right insights to know where to allocate budget & resources to mitigate the most critical risks - leaving the organisation exposed.

2

Your risk management programme is too compliance focused

Some nonprofits see risk management solely as a box-ticking exercise necessary to meet compliance requirements. Successful charitable organisations place a positive value on risk management and use it to uncover opportunities and take a controlled level of risk in pursuit of their strategic objectives. It's paramount for non-profit organisations to develop an integrated and agile risk management programme that meets compliance requirements but also adds value by giving them foresight of risk with ample opportunities to set controls to mitigate it. A best-practice risk management programme should assist non-profit organisations in making more informed business decisions and enable them to decide which risks are worth taking and where they should implement controls and allocate funding & resources to successfully mitigate the risk.

3

Risk management is an isolated discipline

A nonprofit's volatile risk landscape requires a broader & deeper approach to risk management -which is why risk management functions that tend to operate silos or as back-office functions can quickly become disconnected from reality. Increasingly there's demand for risk management insights to be integrated into Board and performance reporting. Why? Nonprofit Boards, executives and trustees need regular visibility of performance reporting on risk to guide decision-making and successfully achieve organisational objectives. Considering these things from the outset of your risk management function design process will go a long way towards creating a sustainable effort to integrate risk management into your organisation. Ultimately, designing and implementing a comprehensive risk management programme can't happen in isolation. A connection to overall strategy, support from a wide variety of stakeholders, and integration into operational efforts will bring the greatest success from any risk management programme and will provide a return on organisational investment.

4

Strategic & operational risks are missing or poorly defined

The most successful organisations adopt a clearly defined process to identify, assess, rank, and treat both strategic & operational risks across their organisation. Strategic risks are often driven by external factors or elevated in importance from your internal operating environment as they are risks that will impact your long-term strategic plan in either a positive or negative way. These should be carefully monitored and managed to ensure your strategic plans stay on track. Operational risks typically include both enterprise-level and service-level risks. Poor processes to regularly identify, assess, and review risks from either of these categories signals the need for a new risk management tool or improvements to an existing programme.

5

No controls are identified and regularly assessed for risks

Organisations that manage risk well have clear internal control frameworks used to identify, assess, and improve risk controls. If this is missing, it can lead to a poor understanding of residual or current risk status as well as increasing exposure to those risk events. Effective control assessments are important because they identify weak spots in your systems & processes and provide an opportunity to identify gaps and make improvements. Effective risk management - backed by a comprehensive control library - are the means by which a nonprofit can achieve its objectives in the modern world. Regular control assessments can help a charity to manage risks and improve decision-making and assures that efforts have been made to identify risk, implement preventative controls where possible, and mitigate damages.

6

De-centralised visibility

Nonprofit executives & managers need fast & accurate visibility into their risks across strategic, operational, and project landscapes. Often what appears to be an isolated risk will impact other areas of the business. Stakeholders have no context for the implications of risks across the entire business - without a single source of visibility. Having a de-centralised view of your risks across multiple spreadsheets & data sources and consolidating that data to create meaningful insights takes up resources & valuable time which could very well be directed to managing high-impact risks on the charity instead.

7

No dedicated risk resources

An absence of resources dedicated to building an efficient risk management programme signals a lack of focus, awareness, commitment, and the right investment from your senior trustees to strategically prioritise risk management for your nonprofit. Charities don't necessarily need a Chief Risk Officer, but they do need identified resources to drive effective risk management processes. Investing in a risk management platform is another surefire way to create value from a risk management programme. Without the right people and systems in place and with time at a premium, developing a robust risk management programme can seem like a tedious process. Given the right focus, your risk management programme will become an invaluable tool and a wide-reaching framework to drive your charity forward by providing direction and guidance to help your charity achieve its maximum potential.

8

Lack of Executive sponsorship

It is all too common for charity executives to avoid making decisions on risk management because there's no compelling event to drive an investment decision - until it is too late. However, as with any enterprise-wide deployment, proactive executive commitment is required to drive investment and focus on risk. The most successful risk management programmes will have organisation-wide buy-in and support. Adequate executive sponsorship from your nonprofit's leadership team is key to ensuring your risk management programme has the time, resources, team, and financial support to be effective and successful.

9

You struggle to understand the impact of risk on strategic objectives

A well-rounded risk management programme should enable charities to successfully balance risks & opportunities in order to achieve their strategic objectives. While risk management should focus on evaluating the negative impact of the charity's exposure to uncertainty, it should also identify potential opportunities. Aligning risk management with your charities' strategic objectives can help assess your organisation's strategic risks, put controls in place for any risks that will impact your long-term strategic plans, and help you take a certain degree of calculated risk to help you achieve your strategic goals & objectives.

10

You struggle to demonstrate to donors how funds are spent – impacting future donations

Building trust through financial transparency is at the very heart of charitable giving. For nonprofits, each donor is important as they provide the much-needed support that the organisation needs to conduct its programmes. Transparency is a key component of ethical NGO operations, which is why they must be open about their funding sources, operations, and decision-making processes - to build trust with their stakeholders including donors, beneficiaries, and the wider community. Failing to demonstrate how funds are being spent could result in losing future donations from donors. NGO's must have a donor log and perform vital due diligence checks to understand the source of their funds. They must also ensure any capital projects are linked back to the original donations to demonstrate how funds are spent and provide proof of their vital work to secure future donations.

5 Essential GRC Capabilities to Overcome these Pain Points

Todays modern GRC platforms provide a whole host of capabilities to help charities & NGOs digitise & streamline their operations. Here are 5 essential GRC capabilities charitable organisations should be using to overcome these pain points.

1 Risk Management

GRC platforms provide a vital framework to set up a best-practice risk management programme and standardise risk ratings & categories across all departments. Organisations can set up an online searchable risk register, to identify, track, and monitor risk. They can roll out online risk assessments, questionnaires, and surveys – with all data feeding directly into the tool. API integrations allow risk teams to pull transactional and operational data into the risk platform. They can then define KRI's and set controls to detect potential risk indicators in transactional & operational data. Teams can set up automated workflows & alerts to send notifications when risk reaches an intolerable level. They can establish a linked control library to mitigate their most pertinent risks and perform control testing. The tool allows organisations to get a deep view into their risk profile and understand their critical tasks & actions by viewing built-in dashboards & reports. The critical insights provided by the software ensure budget & resources are spent in the most critical areas to reduce risk.

2 Strategic Planning

Established charities use GRC technology to align their risk management programme with their strategic goals & objectives. This integrated approach allows the organisation to take calculated risks in pursuit of their strategic objectives and detects potential risks that could derail their strategy.

The framework provided by the tool enables organisations to map out their strategy by breaking down their goals & objectives into smaller, programmes, projects, tasks, and actions. Each key deliverable is allocated a timeline, budget and KPI's, and any risks are logged and added to the risk register. As tasks and actions are completed, progress is indicated at each level of the strategic plan. Leaders can easily view the strategy map and its status using simple tree views and dashboards & reports. Automated control monitoring can be set up to flag missed deadlines and budget overspends - ensuring problems are addressed quickly. Workflows can be used to add structure to the process, for example when a task or action is completed, the relevant stakeholders are notified enabling them to move on to the next step in the strategic plan. Strategic risks can also be tracked & monitored.

3 Cyber & IT Risk Management

Charities hold a huge amount of personal data on beneficiaries, donors, and employees & volunteers. Charities and NGO's must ensure compliance with data privacy policies and regulations like GDPR, NIST and PCI DSS. Non-compliance may result in reputational damage, and regulatory scrutiny. The need for the ongoing monitoring of IT risk, threats, and vulnerabilities is critical, as is the need to ensure that staff & relevant third parties adhere to key IT policies - and software can help.

GRC software can simplify the IT risk & compliance process enabling organisations to create a risk register of IT related risks, perform risk assessments & control tests, and quickly identify & address any gaps in data processing activities. GRC platforms enable charities to set up an obligations library of relevant regulations & IT policies and monitor compliance. They can also use the platform to keep an asset management log and monitor usage & age of IT assets.

4 Compliance

Compliance is a key concern for charitable organisations. Not only do they have to comply with a whole host of regulations to keep their charitable status, but they must have robust policies in place to address key issues around bribery & corruption, money laundering, and conflicts of interest – while ensuring they have a comprehensive code of conduct for staff to follow.

GRC software can support NGOs & charities to address their compliance concerns in several ways:

- **Compliance Obligations Library** – Using the latest GRC technology, charitable organisations can set up an online obligations library of applicable regulations, policies, and procedures - enabling them to monitor compliance.vulnerable to data breaches and cyberattacks.

- **Policy Management** – With so many policies and regulations in place, keeping track of policy owners, changes, approvals, and expiry dates can be a challenge. The policy management capabilities available within GRC software will ensure policies remain up to date, automate approval processes, and enable on-line policy attestations.

- **Regulatory Change Management** – NGO's and charities are subject to many regulations. Implementing a regulatory change programme that maps relevant regulations to processes & procedures can help organisations keep up with regulatory change through automated approvals & alerts - providing a complete audit trail of when changes were implemented.

- **Anonymous Reporting & Whistleblowing** – Many GRC tools offer online portals where staff can report incidents and compliance problems discreetly and facilitate anonymous whistle blowing to ensure problems are highlighted and addressed.

5 Donation Tracking & Capital Projects

Charitable organisations must track donations, perform stringent due diligence checks to make sure funds are legitimate, and provide transparency about how funds are spent. GRC software enables charitable organisations to set up an online donor log to capture vital information about donors and their funding. They can set up workflows to automate donor due diligence checks to validate the source of their funds. Charities should look for GRC platforms with built in project management capabilities, this will not only help them to deliver successful projects - from, planning, scheduling, and task allocation, to budgeting and resource planning - but it will enable them to link those capital projects back to the donations that were used to fund the project.

Many charitable organisations are also using GRC platforms for:

- Asset Management
- Gifts & Gratuities
- Accidents & Incidents
- ESG
- Cyber Incidents
- Emerging Risks
- Opportunity Management
- Control Testing
- Vendor Management
- Health, Safety & Wellbeing
- Issues Log
- Third party Risk Management
- Operational Resilience
- Threat & Vulnerability Testing
- Conflicts of Interest & Disclosures
- Feedback & Complaints
- Workplace Inspections, Audits & Checklists
- Contractor Management & Inductions
- Anonymous Reporting & Whistle-blowing
- Dangerous Goods/ Hazardous Chemicals Register
- Questionnaires & Surveys

Benefits of effective risk management using GRC technology

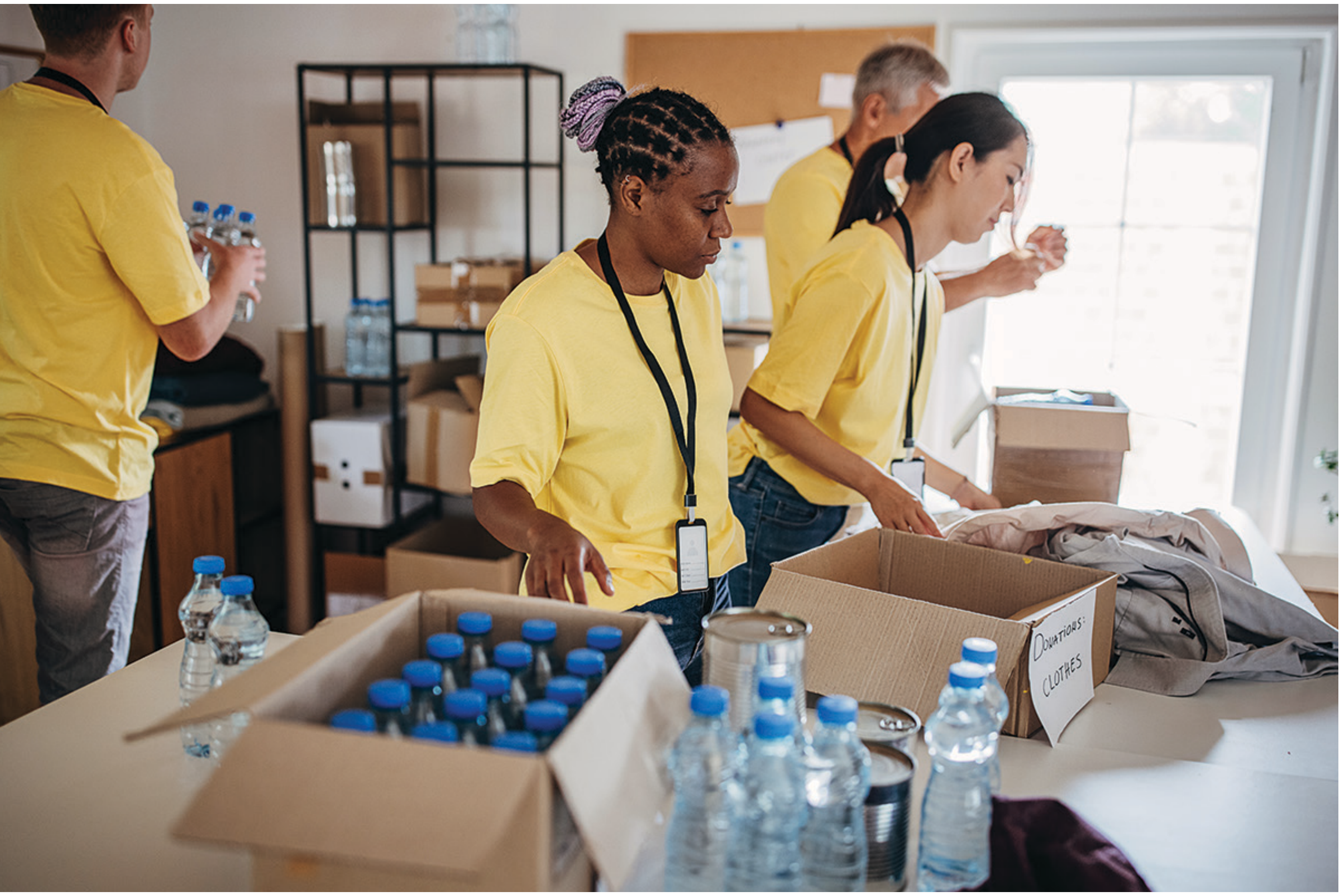
The benefits of effective risk management are powerful in charities and NGO's and include:

- Empowering stakeholders to constructively assess, plan for, and respond to risk events - by having the right information quickly available.
- Strengthening informed decision-making by offering leaders a clear, consolidated view of governance, risk and compliance and risk exposure across the entire organisation.
- Improving auditability & risk traceability through more efficient & effective data recording.
- Integrating risk management into all operational processes ensuring incidents don't become major operational issues.
- Freeing up employee time to focus more on proactive risk & compliance strategies and less on reactive firefighting.
- Gaining valuable insights to enable the education & training of a more risk-aware workforce.
- Having insight to risk information anywhere, anytime via mobile technology.

Getting more out of your risk management programme

There are some compelling reasons to partner with an industry-recognised risk management provider like Camms:

- **Visibility:** Understand what is happening across strategic, operational and project risk landscapes through simple, centralised dashboards.
- **Auditability:** Capture data effectively from multiple systems to power fast, accurate auditing of risk and hazard factors.
- **Remediation & response:** Develop control frameworks capable of responding effectively, rapidly, and comprehensively to risk.
- **Reporting:** Provide boards, executives, and managers with the information they need - quickly & accurately - to support more informed decisions.
- **Compliance:** Align their risk management approach with industry-leading practices and ISO 31000 requirements.



Is your organisation ready to automate risk management?

Charities & nonprofits are reliant on fundraising, therefore their success is inextricably linked to the economy in ways traditional corporations and businesses are not. Their biggest risk of all is a lack of funds, and risks must be carefully managed to ensure they can continue to deliver humanitarian projects to help the most vulnerable in society.

Traditionally risk has always been viewed as something to be minimised or avoided - with a lot of effort spent on risk mitigation. At Camms, we believe that risk is also a creator of value, and when approached in the right way, risk management can play a unique role in driving operational performance, uncovering opportunities, and supporting strategic decision-making.

Today, most successful charities and nonprofits are those that have learned how to protect their value through risk management. Tomorrow's leaders will be those that recognise the opportunity for risk to create value. We can guide you on that journey and help you transform your organisation into a place where risk powers your organisation's performance. Reach out to us for a demo to find out more.