Risk Management Guide for Not–for–Profits, Community Groups and Charities

Why Manage Risk?

Every manager of a not-for-profit knows that there can be surprises for their organisation at any time, both good and bad. A volunteer board member may suggest a new funding source or service opportunity that could help the organisation toward achieving its mission. Equally, a staff member or volunteer may provide an inappropriate service that ends in a legal dispute, or may carelessly or accidentally do something resulting in harm to themselves or others.

These events can have a serious impact on the not-for-profit organisation's effectiveness, as well as on the physical and financial welfare of volunteers, staff or other stakeholders. These impacts may be:

- Legal actions which deplete organisation's finances,
- Legal actions personally against the board, senior employees or volunteers,
- Distraction of management in dealing with crisis situations, and
- Adverse publicity affecting the organisation's reputation.

Some events have such devastating consequences for an organisation that the risk of them happening cannot be left to chance. Many of these impacts can be avoided or dealt with systematically through a process known as **Risk Management.**

What is Risk Management?

Risk management is the process of managing your organisation's exposure to potential liabilities. It does this by identifying risks in order to prevent them or reduce them, and by providing the funds to meet any liability if it occurs.

Risk Management

- Increases your chances of succeeding in an activity or preventing a loss,
- Minimises the effect of a loss that could not be prevented,
- Gives managers, staff and volunteers the confidence to pursue their mission without fear of legal action or harm
- Approaches risk in a structured and calculated manner, rather than being haphazard

Risk Management is not

- About getting as much comprehensive insurance coverage as possible,
- About just avoiding legal action,
- A tool of 'control freak' managers to stifle innovation and creativity.
- About preventing the organisation from ever taking a calculated risk,
- About creating excessive bureaucracy and excluding volunteers from participating in the organisation,
- An expensive consultant's plan sitting in a glossy folder on your library shelf.

Empower Results®

Arriving at a Risk Management Program

Step 1: Identify the Risks

Identifying risk involves making a systematic assessment of all the hazards that could arise from your organisations activities. This will require a knowledge of your organisation, its social and legal context, its mission and its activities.

Establishing the **organisational context** accurately will help you to identify key issues:

- How much financial risk can the organisation absorb? Are its assets sufficient to meet potential liabilities?
- How would a claim against your organisation, one of its employees or volunteers affect its reputation and ability to achieve its missing?

For example, a not-for-profit organisation whose mission it is to defend health professionals from malpractice claims would view the risk of being sued as normal, whereas a not-for-profit organisation whose mission was to promote safe working conditions for volunteers would suffer serious consequences if it was sued or prosecuted for failing to provide safe working conditions for its own volunteers.

Step 2: Evaluate the Risks

Not all the risks you identify will be significant, but some may have a good chance of developing into a liability. Your organisation probably won't have the resources to deal equally with all potential liabilities, so the next step is to rank them. For example, you may have identified both a potential risk of defamation in your volunteer-produced newsletter and the potential for physical injury to your volunteers or clients through negligence.

For most not-for-profit organisations, the injury through negligence is probably more likely to happen than the defamation. In this example, treating physical injury risks first makes more sense than being concerned initially with the risk of defamation. This understanding can be applied when you come to allocating scarce resources in the most effective way for controlling potential risks.

Raking your risks statistically (ie. On the frequency with which they have occurred in the past) may be nearly impossible. Instead a simple qualitative risk classification may be enough. You can assign values to **likelihood** and to **consequences** or **impact** as follows:

The **likelihood** of an event can be classified as:

a. **(almost certain)** The event is expected to occur in most circumstances
b. **(likely)** The event will probably occur in most circumstances
c. **(moderate)** The event should occur at some time
d. **(unlikely)** The event could occur at some time
e. **(rare)** The event may occur only in exceptional circumstances

The **consequence** or **impact** of an event occurring can be defined as

1. **(trivial)** No action is required and/or low financial loss.
2. **(minor)** No further action is needed at present, but monitoring will be necessary to ensure controls are maintained.
3. **(moderate)** Efforts need to be made to reduce the risk, but the costs of doing so need to be carefully considered.
4. **(substantial)** The activity should be halted until the risk has been reduced or sufficient control measures are in place.
5. **(intolerable)** The activity that gives rise to the risk should be prohibited – this may indicate that it needs to be part of a legal compliance plan.

Step 3: Decide on the Strategies

Once you have systematically identified and prioritised the risks facing your organisation, you can start thinking about how to manage them. The resulting risk management program should be in the form of a written policy document, approved at board level and adopted across the organisation.

Risk management strategies

The following strategies are commonly used to minimise risks:

- **Risk Avoidance -** an organisation decides to avoid the risk altogether by not entering into the activity or providing the service.
- **Risk Control -** an organisation decides to continue the activities which creates the risk, but to manage it so that is will be less likely to occur, or will be less damaging when is does occur.
- **Risk Financing -** an organisation decides to provide resources to meet the liabilities cause by risks when they do eventuate.
- **Risk Transfer -** an organisation decides to have a third party perform the risky activity, or to transfer the consequences of the risk to another person/organisation.

These strategies are not mutually exclusive. Often there will not be a single ‘best’ option, and the best way for you to manage a specific risk might be by using a combination of strategies, for example, controlling the risk and transferring it via insurance. Arriving at the best strategy involves balancing the cost of implementing it with the benefits derived from lessening the risk, or with the opportunities afforded by taking the risk.

Step 4: Implement, Monitor and Review the Program

Once you or your working group have developed a risk management program, and it had been approved by the boards or management committee, the next critical step is to identify who in the organisation will be responsible for implementing it. At the same time, the board or management committee needs to set up a process for periodically monitoring the plan’s implementation and its effectiveness.

In addition, your organisation needs to ensure that the program is reviewed at least once a year, but also whenever there are any changes in the law or the organisation’s activities. The likelihood and consequences of a risk may also change over time.

Event Risk Management Checklist for Not-for-Profits, Community Groups and Charities

Below is a checklist which will assist you in planning events and managing the associated risk.

Pre-Event Risk Management	Complete Y/N?	
• Check dates and ensure venue/location availability does not clash with other events	☐ Yes	☐ No
• Ensure all activities comply with relevant Municipal By-Law(s)	☐ Yes	☐ No
• On Road and Road Closure procedures followed where necessary	☐ Yes	☐ No
• Ensure all activities are listed on your Event Permit (if required)	☐ Yes	☐ No
• Ensure any public consultation policies are complied with	☐ Yes	☐ No
• Check that activities and structure comply with relevant legislation and regulations	☐ Yes	☐ No
• Ensure all amusement rides are registered with local authorities	☐ Yes	☐ No
• Event cancellation procedures in place	☐ Yes	☐ No
• Get proof of insurance from contactors (stall holders, food vendors, ride operators, security, sound & lighting etc.)	☐ Yes	☐ No
• Notify Emergency Services of event plans and make arrangements		
• if attendance is required	☐ Yes	☐ No
• Appropriate Insurances in place and event declared	☐ Yes	☐ No

Event Risk Management	Complete Y/N?	
• Ensure plan includes all parties involved	☐ Yes	☐ No
• Assign who is in charge of event and their support people	☐ Yes	☐ No
• Key roles and responsibilities clearly assigned	☐ Yes	☐ No
• Communication/contact procedures in place	☐ Yes	☐ No
• Event Risk Assessment carried out	☐ Yes	☐ No
• Bump-In Plan (set up)	☐ Yes	☐ No
• Bump-Out Plan (pack up)	☐ Yes	☐ No
• Event Safety Role - Who is in control in event of accident/emergency	☐ Yes	☐ No
• Accident & Emergency Procedures	☐ Yes	☐ No
• Safety Training completed	☐ Yes	☐ No
• Volunteers briefed and trained	☐ Yes	☐ No
• Structural Inspection/Work Health & Safety Inspection	☐ Yes	☐ No
• Register of all assets maintained	☐ Yes	☐ No
• Relevant Licences in place	☐ Yes	☐ No
• Record of all contractors maintained	☐ Yes	☐ No