



# Where next for risk management?

Jonathan Orchard  
Sayer Vincent

ONLINE CONFERENCE For all charity finance professionals

## The Charity Accountants' Conference

**dsc**  
directory of social change

SAYER | VINCENT  


13-14 November 2024

SAYER | VINCENT  




# Charities & risk

- where we've been
- what we are trying to achieve
- what might better look like
- what risks are on the charity radar
- how can we be better placed to manage them

Questions, questions, questions



# Expectations on risk

Charity Commission:

‘trustees should regularly review and assess risks...and plan for the management of those risks’

SORP 2015

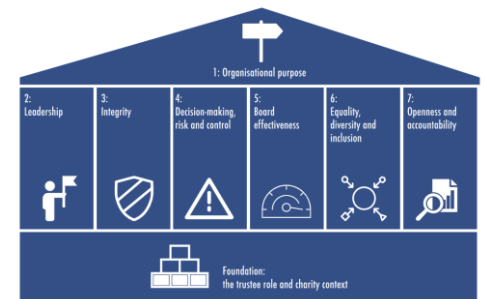
‘description of the principal risks and uncertainties facing the charity ....together with plans and strategies for managing those risks.

# Charity Governance Code: Principle 4

## Decision making, risk and control

### Key outcomes:

- The board has a sound decision-making and monitoring framework which helps the organisation deliver its charitable purposes. It is aware of the range of £ and non-£ risk it needs to monitor and manage
- The board promotes a culture of sound management of resources but also understands that being over-cautious and risk averse can itself be a risk and hinder innovation





# Traditional approaches

- Identify all the risks you can think of
- Rank them for impact and likelihood
- Multiply the factors to prioritise risks
- Present in a risk register
- Variations on this?

<b>Impact</b>	<b>Risk Management Actions</b>		
<b>Significant</b>	Considerable management required	Must manage and monitor risks	Extensive management essential
<b>Moderate</b>	Risks may be worth accepting with monitoring	Management effort worthwhile	Management effort required
<b>Minor</b>	Accept risks	Accept, but monitor risks	Manage and monitor risks
	<b>Low</b>	<b>Medium</b>	<b>High</b>
	<b>Likelihood</b>		



## The challenge is.....

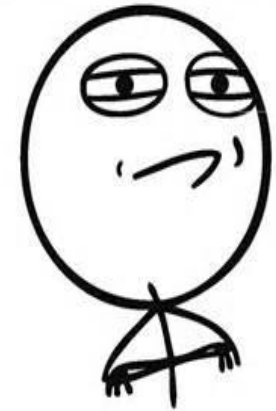
How to give trustees the confidence they rightly need in the effectiveness of underlying risk management without...

...interfering with management

# How can the challenge be met?

- 'Intelligent' risk management
- Organisation culture
- Focus on issues that matter
- Get regular assurance from management
- Seek independent review when needed

**CHALLENGE ACCEPTED**





# Reflections on a better way forward

Arlene Clapham

Risk & Assurance Manager

Sayer Vincent

[arlene.clapham@sayervincent.co.uk](mailto:arlene.clapham@sayervincent.co.uk)





# Effective risk management

## Hallmark 1

*Risk management is about understanding what might happen (ie uncertainty), assessing how it could affect the achievement of our objectives, and acting accordingly*



# Effective risk management

## Hallmark 2

*Risk management is not separate or distinct from management of the organisation – it is essential to effective management. It is a critical element of decision-making and the optimisation of performance and value creation*



# Effective risk management

## Hallmark 3

*Effectiveness of risk management should be assessed based on whether it delivers the desired results – reliable, useful and timely information that enables the charity to make better decisions.*



# Rethinking Risk

## Beyond the tick box

---





## Better risk registers?

- Make them readable!
- Commentary of key themes / changes
- Reference risk appetite
- Show direction of travel
- Clarity of risk strategy (accept, mitigate, transfer, avoid etc)
- Focussed and prioritised



# Strategic risks – the Big 5

<b>Impact</b>	Are you making the desired impact in support of your beneficiaries and can you evidence it?
<b>Financial sustainability</b>	Are you managing the finances to ensure you continue to make an impact in the medium to long term?
<b>Compliance</b>	Are you meeting your regulatory, legal and donor compliance requirements and expectations?
<b>Reputation</b>	Are you able to respond effectively to any incident that could result in damage to your reputation?
<b>People</b>	A charity's most valuable asset (usually). Are you doing all you can to attract, retain, develop and look after your staff & volunteers?



# Identifying strategic risks

Consider a ‘pre-mortem’

*‘We’ve successfully delivered our strategy.  
What uncertainties have we navigated to  
do that?’*

# What's our risk appetite?







# How is it defined?

## Risk appetite

The amount of risk that an organisation is willing to seek or accepts in pursuit of its long term objectives

## Risk tolerance

The boundaries of risk taking outside of which the organisation is not prepared to venture in pursuit of its long term objectives

Definitions: Institute of Risk Management



# How should it help?

To help managers understand the degree to which they are permitted to expose the organisation to the consequences of any event or situation and when to escalate it

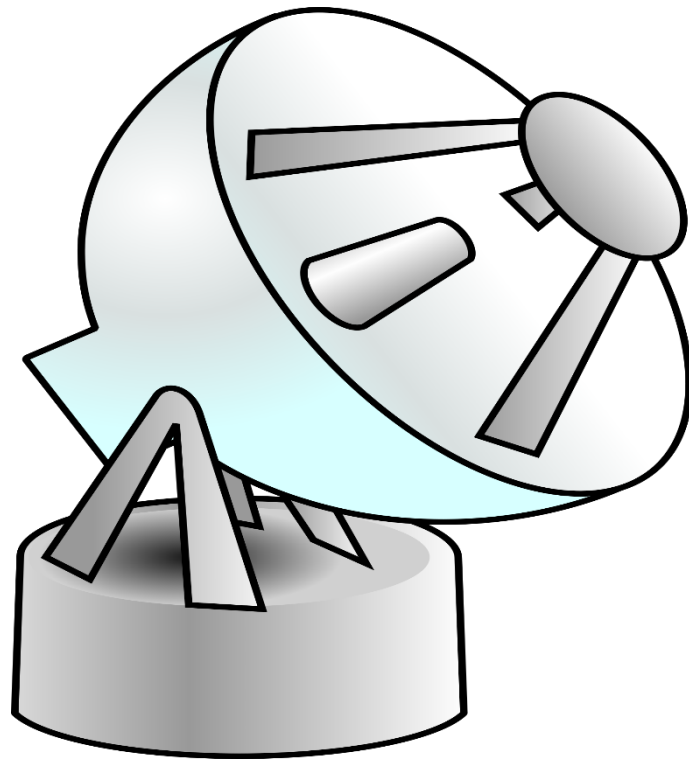
Needs to be practical and to guide managers



# Conditions for a healthy risk appetite

- ✓ Understand the risks you face
- ✓ Underlying processes and tools for managing operational risk
- ✓ Clear delegation from trustees to executive
- ✓ Acceptance that can't control everything
- ✓ Scenario planning

# Risks on radar in 2024





# Risks that impact us all



BUSINESS  
AS USUAL

Charities face many of the same risks as other organisations:

- People risks
- Information management
- Cyber security
- Technology & AI

# Financial sustainability



- Income diversification
- Individual giving
- Government funding
- Cost base
  
- Best structure to deliver max impact

# Governance

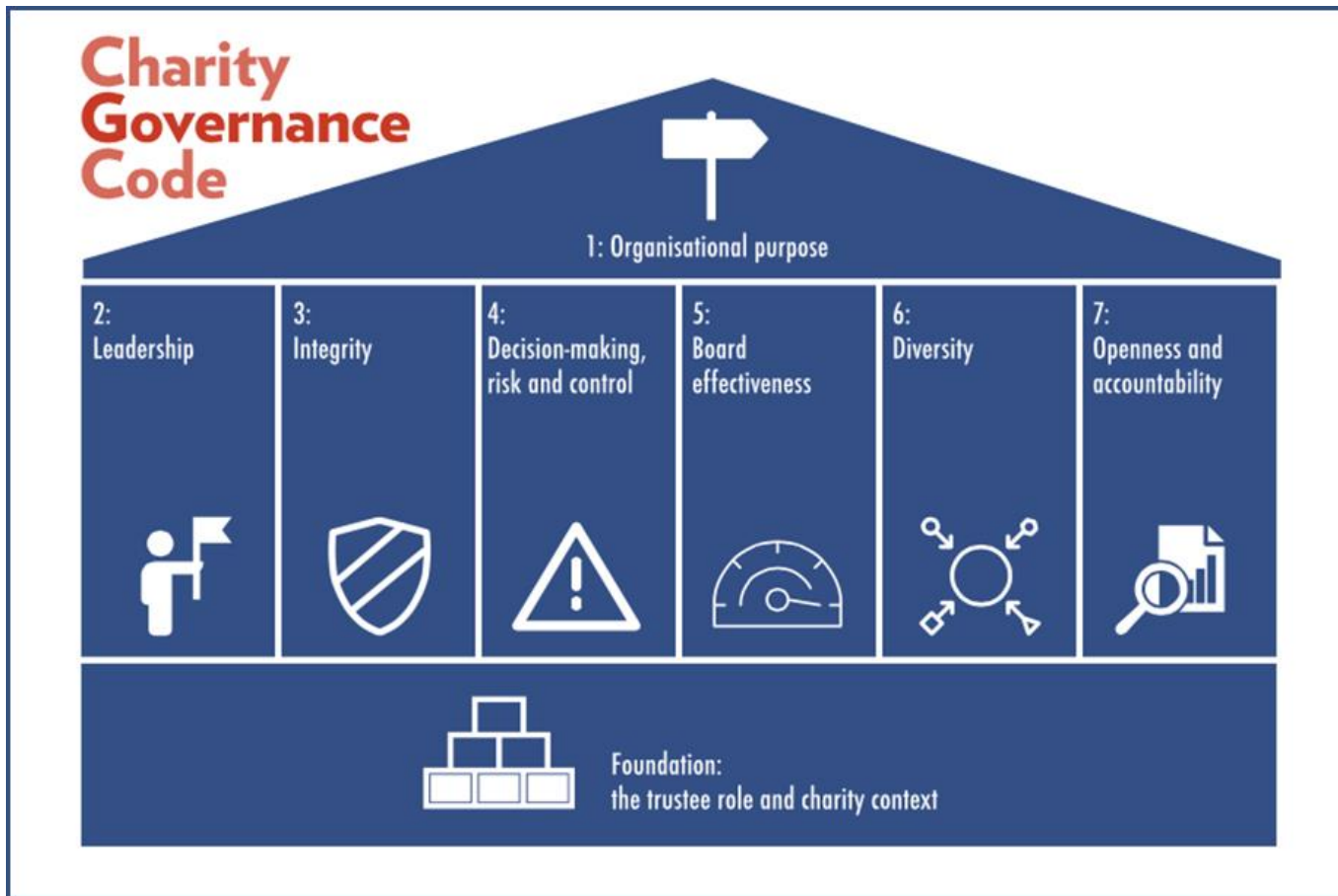


# Charity Commission – investigation reports

- Sanctioned trustees
- Founder trustees
- Sub-group decision-making
- Payments to connected parties



# Governance



# Governance – to consider

- Assessment against Governance Code
- Code of conduct
- Term limits
- Scrutiny & accountability
- Scheme of delegation
- Conflicts of interest policy



# Fundraising risks



- Regulation
- Acceptance
- Fraud

# Fundraising – to consider

- Compliance with Code of Fundraising Practice
- Gift acceptance policy
- Clear acceptance decision-making
- Know Your Donor checks
- Controls of fundraising materials
- Social media monitoring



# Communications



- Social media
- Shock messages
- CC guidance
- Impact

# Communications – to consider

- Social media policy
- Risk assessments
- Sign off protocols
- Impact assurance



# Agility

- Move beyond static risk registers
- Less focus on process and compliance
- More focus on innovative thinking and reality
- Agility achieved through discussion and flexible project management tools



# Look outside

- Less naval gazing
- More external horizon scanning
- Less focus on internal controls
- More on response mechanisms





# Judgement

- Less focus on statistical scoring
- More space for judgement calls
- Consideration of trends – what risks are increasing/decreasing





## Closing thoughts

- ✓ Risk registers have their place but can be improved
- ✓ Is technology part of the answer?
- ✓ Focus trustees on issues that matter
- ✓ Consider risk appetite
- ✓ Keep external environment on radar
- ✓ Enable the discussion

# Questions





# Contact details

Jonathan Orchard

[jonathan.orchard@sayervincent.co.uk](mailto:jonathan.orchard@sayervincent.co.uk)

020 7841 6360

[www.sayervincent.co.uk](http://www.sayervincent.co.uk)