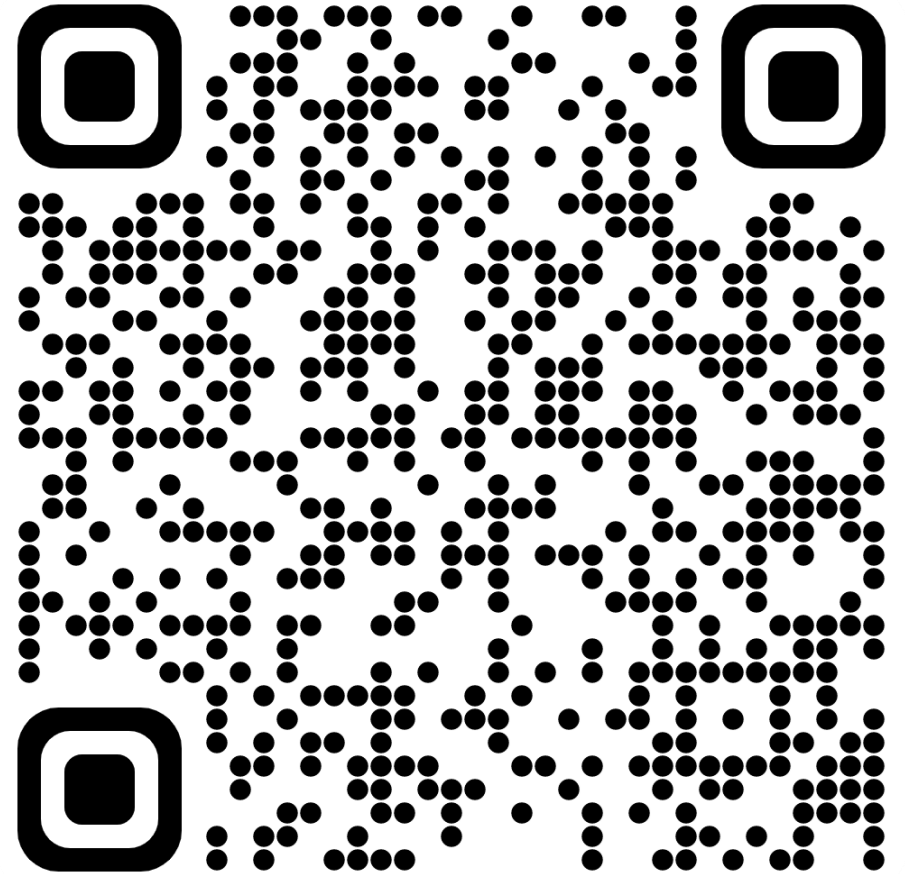




NGO Governance Health Programme

**Practice Tools & Tips:
Risk Governance & Management**

Please scan following QR code for quick user's guide video





**KEEP
CALM
AND
BE
PREPARED**

“Risk management is not about avoiding risk - it is about taking risks, but in a managed way”



Users' Brief

1. Learning from the 2021 NGO Governance Health Study - 30% of the surveyed NGOs have seldom and never adopted the international good practice of regularly reviewing the organization risk register (36% among the smaller NGOs of budget size <\$20 m, do not follow such practice)
2. NGOs in the past few years have made much progress in overseeing financial risks and risks arising from conflict of interests. However they lack a comprehensive view of organization risks and many lack the knowhow of how to regularly assess, monitor and control risks.
3. This “Tools & Tips” on Risk Governance, offer a practical list of nine key questions to ask to understand the role of board in risk control and to tackle the issue step by step. A set of tools are also included – with tools for assessing and prioritizing risks; for articulating the organization risk portfolio in a register; for designing the risk response action and the monitoring and control structure and measures.

9 Questions to Answer on Risk Governance

Q1. Do you have a Risk Policy ?

1

Q2. Do you know your Risk Appetite ?

2

Q3. Is there a Framework for Assessing Risk ?

3

Q4. What are the key Risk Response strategies ?

4

Q5. Is there a Risk Register ?

5

Q6. Differentiation of ROLES of Board and Management in Risk control ?

6

Q7. Do you have a crisis response plan ?

7

Q8. What are the Risk Monitoring Structure and Processes ?

8

Q9. What is your organization's Risk Culture ?

9



Tool Box

Let's work together





Box 1





1

Q1. Do you have a Risk Policy ?

“ Trustees need to let their managers know the boundaries & limitations by their risk policies to make sure there is a clear understanding of the risks that can & cannot be accepted. “ UK Charities Commission Guidelines CC26

- Organization-wide Policy – identifies where you can take risk and where to be risk averse + defines the risk appetite / attitude
- Sample Risk Policy Statement (Please refer to Tool 1)
- Risk related policies & procedures (Please refer to Tool 2)

Tool 1	
Risk Responses	Example of NPO risk policy
YES	<p>ABC Charity works with people who have been disadvantaged limiting life chances when young. It is therefore <u>appropriate to take risks with our charity's resources to make opportunities available to those people. We are therefore happy to take a risk with people.</u></p>
NO	<p>We will not however, take any risk relating <u>to the protection of young people and vulnerable adults. Full vetting procedures should always be followed for all staff and volunteers and disciplinary action follows when breaches occur. A similar policy is adopted in relation to fraud and corruption.</u></p>
Some	<p>The charity is fortunate to hold assets in the form of property and investment, and revenues are generated from fundraising. <u>While some risk had to be taken to achieve good returns, it would be inappropriate to risk the capital value of the assets. Therefore the risk of loss should be balanced against the expected return.</u></p>

Tool 2

Risk related policies & procedures:

- Conflict of interest policy
- Risk monitoring & reporting policy – annual report on risk review and action response plan
- Risk register & risk management manual
- Crisis management manual



Box 2





2

Q2. Do you know your Risk Appetite ?

- Over cautious -----> too reckless
- Identify the risk tolerance level for key activities:
Acceptable Risks <> Risk Averse <> Zero Tolerance
(Please refer to Tool 3)

Tool 3

Define Risk Tolerance

(Rethinking Risk – beyond the tick box, CFG & Sayer Vincent, 2016)

1. Risk taking	Where the potential benefits of taking the risk are significant against the likelihood and impact of the risk which are limited.
2. Risk orientated	Where the dangers of the risk are limited and reasonably offset either by the opportunities and advantages afforded by carrying it or by eliminating the costs of actions and systems needed to mitigate it.
3. Risk equilibrium	Where the dangers of the risk are fairly evenly offset by the opportunities and advantages offered by carrying it.
4. Risk adverse	Where some risk is unavoidable but this should be kept to a minimum.
5. Zero tolerance	Where the nature of impact of the risk is such that it is not acceptable within the organization.



Box 3





Q3. Is there a Framework for Assessing Risk ?

- Calculate the risk priorities (Please refer to Tool 4)



Tool 4

**Multiply the scores to produce the priority ranking
(Rethinking Risk – beyond the tick box, CFG & Sayer Vincent, 2016)**

	Likelihood	Impact	Risk Tolerance	Priority ranking
Database crash				
Key person leaves				
New procedure fails				



Box 4





4

Q4. What are the key Risk Response strategies ?

- Decide on response action (Please refer to Tool 5):
 - Accept
 - Embrace
 - Transfer
 - Reduce
 - Mitigate
 - Avoid

Tool 5

Six Risk Action Strategies

Accept: Accept the risk and budget for possible loss

Embrace: Take risk with management assurance action

Transfer: Transfer the risk e.g., to an insurer

Reduce: Take action to reduce likelihood

Mitigate: Take action to reduce impact

Avoid: Withdraw from the activity presenting the risk





Box 5





5

Q5. Is there a Risk Register ?

- Categorising of Risks – Legal & Regulatory Compliance; Strategic; Operational; Financial; Reputational; Stakeholders relationships
- Recording the risk control & response actions
- Sample risk register (Please refer to Tool 6)

Tool 6

Example page in risk register (Rethinking Risk – beyond the tick box, CFG & Sayer Vincent, 2016)

Risk	Consequences	
Database containing names of all members will crash	<ul style="list-style-type: none"> ➤ Loss of income ➤ Damage to relationship with members 	
Appropriate controls to manage the risks:	Existing controls in place:	
<ul style="list-style-type: none"> ➤ Database backed up daily ➤ Back ups stored off -site ➤ Restore of data tested monthly 	Daily back-up systems in place	
Further actions necessary	Who	Timescale
<ul style="list-style-type: none"> ➤ Ensure contract with IT support company is valid and provides for immediate action 	TY	Urgent
<ul style="list-style-type: none"> ➤ Provide training for membership team 	ST	Medium term



Box 6





6

Q6. Differentiation of ROLES of Board and Management in Risk control ?

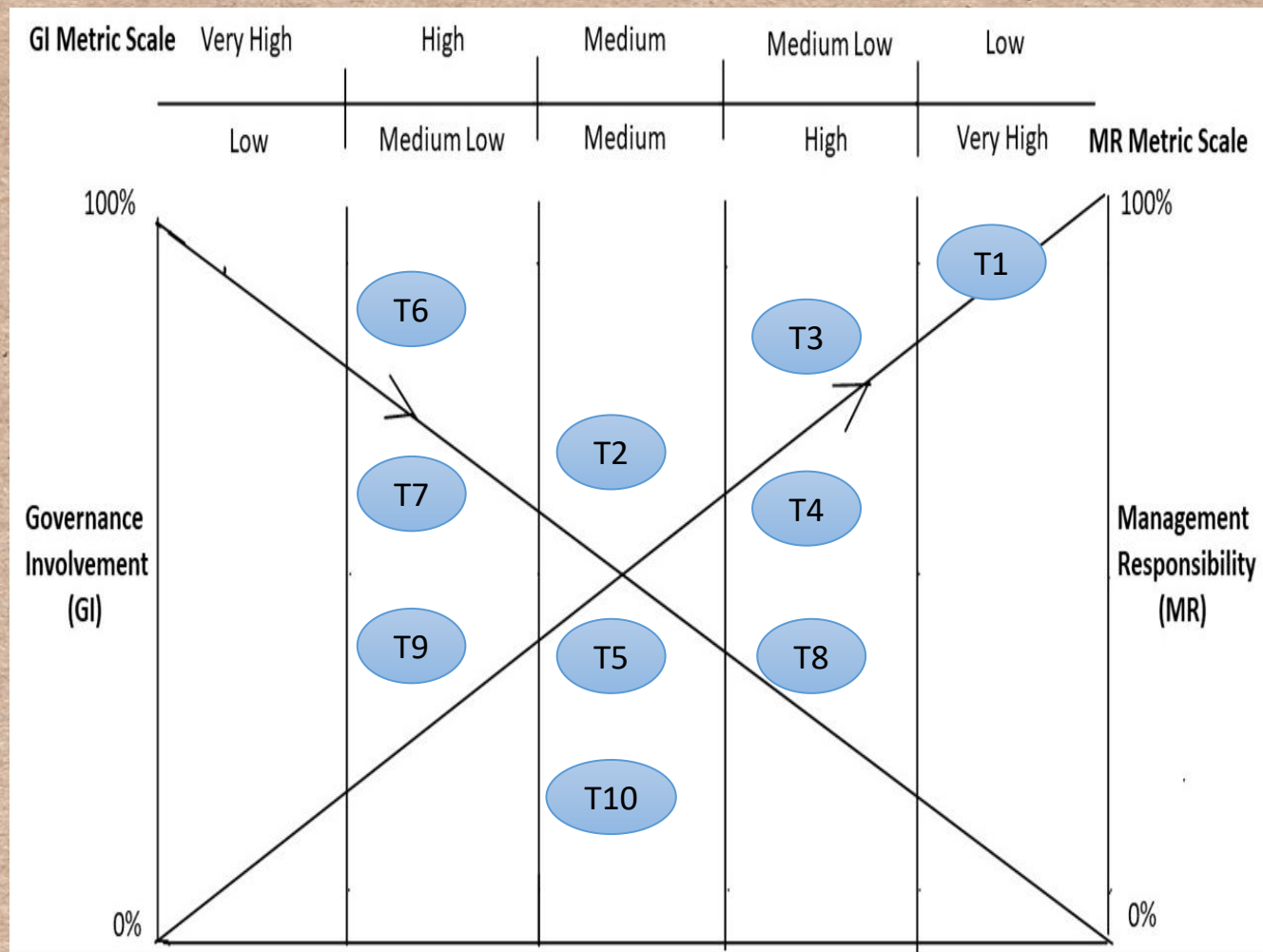
- Risk governance VS Risk Management
A matrix view of shared responsibilities
(Please refer to Tool 7)

	Risk Management	Risk Governance
1	Identify events & categorize Risks	➤ Study Risk register & understand the main Risks
2	Assess & Analyse Risks	➤ Review Risk matrix & priorities
3	Design Risk Management	➤ Approve Risk policy & response actions
4	Monitor & Reporting Risks	➤ Authorize the tiered monitoring structure & processes for regular identify gaps & uncertainties
5	Build Healthy Risk Culture	<ul style="list-style-type: none"> ➤ Regular updating of Risk policies ➤ Ensure healthy Risk culture

Tool 7: Conceptual Metric for GI & MR Relationship*

(管治參與與管理責任關係量尺)

Undertake a thorough discussion about the mutual expectations on governance involvement of individual work components or key tasks by using the conceptual metric as shown in left Diagram.



No.	Description *
T1	Identifies the key strategic, operational and financial risks likely to have negative impact
T2	Establishes a common risk management framework supported by written policies and procedures
T3	Analyses each risk's relative threat
T4	Assesses the likely frequency of occurrences and severity of impacts
T5	Considers the full range of risk management responses and internal control
T6	Evaluates and priorities the risks
T7	Selects and prioritizes the most threatening risks for active management
T8	Addresses risks through the creation of action plans
T9	Insure appropriate risks
T10	Monitors to ensure that identified risks have been adequately addressed, and that any new risks are incorporated into the risk management plan

Note: *Conceptual Metric is developed by GAME ** Source Description of Key Risk Control Tasks: Guide to Corporate Governance for Subvented Organizations, EU, HK SAR Government



Box 7





7

Q7. Do you have a crisis response plan ?

- Framework of a crisis response plan
(Please refer to Tool 8)
- Role of Board in crisis response
 - Protect public interests & lives
 - Uphold organizational values
 - Monitor implementation of policies & procedures
 - Support executives
 - “intervene” only when necessary
 - Steer repair & regeneration
 - Reflect on crisis experience to improve

Tool 8

Crisis Management Plan Standard Contents :

• Values	• Procedure
• Policy	• Communication
• Organisation	• Resources
• Notification	• Training

Good Values: PR – PR – PR

People First - Responsive

Public Interests before Self Interests - Responsible

Professional Standards and Ethics - Reliable and Real

Good Communication:

1. Speed
2. Messages
3. Facts
4. Stakeholders & opinion leaders
5. Public face
6. Values



Box 8





8

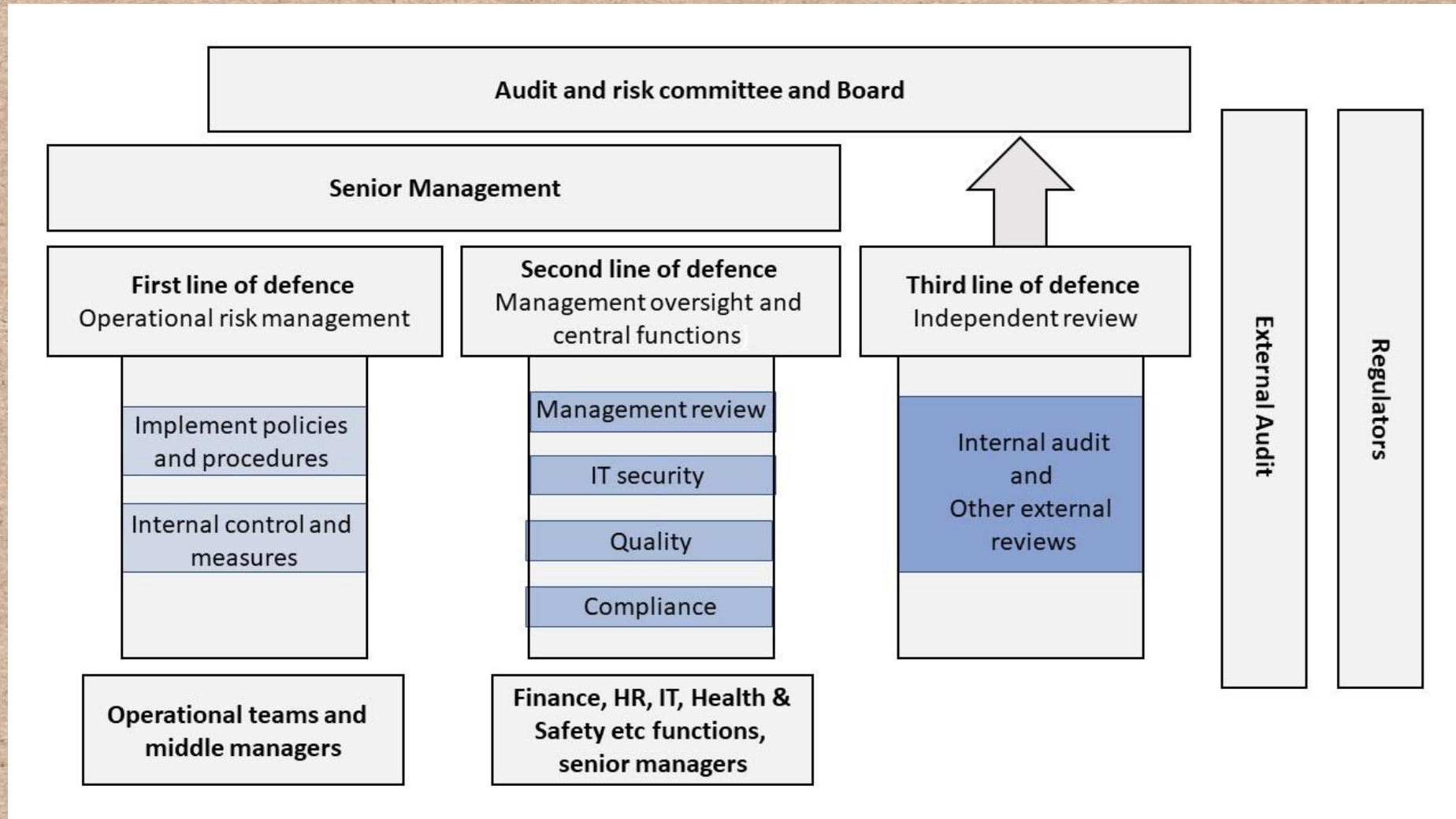
Q8. What are the Risk Monitoring Structure and Processes ?

- The three lines of defence – senior management, risk committee and Board (Please refer to Tool 9)

Tool 9

Risks Monitoring Structure – The Three Lines of Defence

(Rethinking Risk – beyond the tick box, CFG & Sayer Vincent, 2016)





Box 9





9

Q9. What is your organization's Risk Culture ?

- Features of a healthy risk culture
(Please refer to Tool 10)
- Top-level leadership to set the tone
 - Everyone is risk aware (NOT averse), with good knowledge of corporate risk policy and skills of implementing it in accordance with the requirements of her/his position
 - “Whistle-blowing” for zero tolerance risk is encouraged
 - Internal audit received as “health check” report: no denial mode; no defensive mode; no panic; “exercise” as health maintenance always preferred to surgery or medicine
 - Solidarity in crisis; Unity in change

Tool 10:
Features of a healthy risk culture
(Rethinking Risk – beyond the tick box, CFG & Sayer Vincent, 2016)

- Values & ethical principles that support appropriate risk-taking
- A clear & consistent tone from the top
- Alignment of plans & budgets to the value

- Willingness to hear bad news
- Willingness to learn from mistakes
- Whistleblowing to be appreciated & protected

- Swift & fair disciplinary procedures
- Rewarding the right behavior
- Survey on appropriate attitude
- Diversity of views to allow for inappropriate risk attitudes be challenged

Build Healthy Risk Culture

(Rethinking Risk – beyond the tick box, CFG & Sayer Vincent, 2016)

The Institute of Risk Management has created a “Risk culture aspects model” which is reproduced below:



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