Institute of Risk Management - Charities Special Interest Group

Autumn 2016 Newsletter

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Introduction

As we move towards the end of 2016 and as I mentioned in my introduction to the Summer newsletter, I am now pleased to report that we have published yet another leaflet and supplementary guide – this time to help charities to set risk appetite. I've written an article on how this was developed and key points to whet your appetite (if you'll excuse the pun!).

We worked on risk appetite following feedback and requests from our cohort of SIG members and contacts. Although the drivers for this work varied there was a lot of debate about how this could be achieved away from the more quantitative approach employed in the financial sector. Anyway I hope you find the article interesting and the guide invaluable!

We held another meeting on the 14th June, this time with more of a seminar style slant inviting notable speakers to share experiences and open up to the floor for discussion on how best to embed risk management. Paul Hopkin, Technical Director at the IRM provided an entertaining synopsis of his time as Head of Risk at the BBC detailing the trials and enjoyment around dealing with the 'suits' and the 'creatives'.

Paul is our featured risk expert in this edition and his article is full of amusing experiences and insightful advice. Another speaker at the 14/6 event, David Clamp, Director of Safety & International Operational Support at Raleigh International is our featured practitioner demonstrating the breadth of risk roles available now within the charity sector.

Also featured in this edition are a summary of the 14th June event written by Jan Cadby (one of our SIG team members) and an article from the Charity Finance Group offering advice on how to counter fraud.

We are planning one more seminar in 2016 on fundraising risk and regulation given that it is such a hot topic.

I hope you find this an interesting and light read and if you have any feedback please do let me or any of the other SIG team members know.

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Jan Cadby
How to embed Risk Management

How can you successfully embed risk management within a charity? The SIG Meeting 14th June shows the way

Ecclesiastical Insurance hosted the IRM Charities SIG's June meeting to consider how to embed risk management. Over 20 delegates came together to hear from David Clamp of Raleigh International/ European Independent Security Forum, Rebecca Bowry of Diabetes UK and Paul Hopkin Technical Director at the IRM, who shared their experiences and lively discussions ensued which gave the delegates an opportunity to share their own experience of the successes and struggles when trying to embed risk management.

Rebecca Bowry – Diabetes UK

The session kicked off with Rebecca introducing the SIG's Risk Maturity Matrix and Flyer and how to use them. Based on her own work at Diabetes UK Rebecca went on to talk "Integrating risk management into planning" covering topics such as-

- Why integrate risk and planning?
- How to do it
- How to keep it alive

One key aspect highlighted is the importance of developing a supporting plan and the key issues to be addressed as part of planning process. This centred on the importance of understanding how risks could impact objectives and that you may need to take action (which could incorporate some expenditure) and alter plans as a result of risks occurring.

David Clamp – Raleigh International / European Independent Security Forum

David focused on 'Embedding risk management within security/overseas operations'. Speaking from a considerable experience David shared with the group some of the issues, approaches and complexities an iNGO faces every day.

It was illuminating to hear about the huge mix of operators in the sector, how large scale campaigns are developed (such as those to address the famine in Ethiopia famine, and water crises). An incredible amount of logistics and organisation lay behind such responses which includes how operational safety is managed. The Group also had the opportunity to discuss a case study.

David emphasised that to embed security arrangements 'Security' must not be seen as a bolt on to an organisation.

The advocated approach was to:

- To engage trustees realistically in scenario planning
- Embed it in the right place – whether that is HR, operations, the CEO's office or everywhere within the organisation. Perhaps consider where risk management sits generally in order to define this.

- Develop a standard set of principles – e.g. what are the principles that guide where you will/ won't work? What activities are and are not acceptable?
- Build the systems on a cycle – risk assessment, mitigating actions, monitoring and incident reporting, review and risk assessment.
- Support the campaign with good open feedback systems such as incident reporting, complaints processes, whistleblowing. These are key because then incident reporting comes out of the dark and into the light.
- Encourage whistleblowing. If the truth on the ground isn't making it to the centre this is a disaster waiting to happen although perhaps this is less likely to the more the sector is regulated?

David outlined the increasing expectations for

- quick resolution to issues
- visibility of safety & security
- people to have an understanding of complex risk management
- organisations to fully recognise the duty of care staff are owed.

In addition, David highlighted that security works best with sensible in-country oversight and well trained in-country staff who understand risk and how to mitigate it… not when driven from the centre with onerous protocols which have not been backed up by training, or fully embedded.

The art of embedding security management is to build a culture where everyone is the security manager and to empower all participants to stop unsafe activities before they happen.

Paul Hopkin, Technical Director at the IRM

Paul provided the meeting with an insight into his time as Head of Risk Management at the BBC. He explained that different cultures can exist within the same organisation and how different attitudes to risk had to be accommodated at the BBC between (1) 'talent' or presenters; (2) creative individuals, including producers and directors; (3) crafts and technical staff; and finally (4) the business administrators usually referred to in the BBC as the 'suits'.

Paul outlined how the BBC had decided to comply with all sections of the UK corporate governance code that are relevant to the organisation. In particular, this involved compliance with the original Turnbull requirements, so that the BBC produced the first version of a detailed risk register soon after the Turnbull requirements came into force in 1999.

In bringing his commentary on the BBC up-to-date, Paul talked about the way in which the BBC reported its risk appetite in the context of its key strategic and operating risks, as well as how the BBC is managing key strategic projects. In relation to projects, he highlighted that the BBC receives regular detailed scrutiny from the National Audit Office and that this added a further level of scrutiny of BBC activities.

Finally, he compared the reporting on risk between the BBC annual report and accounts 2014-15 and the ITV report and accounts 2014. He concluded that, whilst both reports provided information on the principal risks faced by the organisation, the ITV report and accounts provided much more information on risk management processes and how steps are being taken by ITV towards using risk appetite as a decision making tool.

All in all the attendees had a great opportunity to learn from peers and talk about how to overcome individual challenges.

> " **The art of security management is to build a culture where everyone is the security manager** "

Paul Hopkin
Technical Director, Institute of Risk Management
The Expert's Risk Management Journey

I have worked in risk management for a long time, starting as a government safety inspector with the Health and Safety Executive (HSE). But, I started my working life as a secondary school teacher in Bristol teaching physics and mathematics. Perhaps, this was not the best career choice, as the main advantage of teaching for me was how often I didn't have to do it – the holidays.

After HSE, a period at Sedgwick, the insurance brokers, and then several appointments in industry, including BET (now part of Rentokil Initial), the BBC and the Rank Group. I then worked at Airmic for 9 years and have been at the IRM for the past 18 months.

1. What do you think risk management is all about?

Ultimately, risk management is about facilitating greater success for your employer and/or client organisations. Facilitating greater success starts with supporting compliance activities and builds into the management of hazard or operational risks. Successful risk management then develops into supporting strategic decision-making and the implementation of tactics (projects).

2. What is the biggest change in risk management that you have observed over the course of your career?

In many ways, the developments in risk management has been mirrored in my own career. I started as a regulator working for HSE. The role of one of HM Inspectors of Factories was to ensure compliance with health and safety legislation. At that time, many organisations treated compliance with health and rules and regulations as a specific area of risk separated from other areas of risk.

My job title at BET was Loss Control Manager and the responsibility was to support the efforts in the company to reduce losses and inefficiencies across all operational risks. Work at the BBC and at the Rank Group provided a much broader range of involvement across all areas of risks. The degree of influence was variable, depending on the attitude of the head of department. When the value of good risk management was understood, the benefits in terms of efficiency and cost saving were significant.

3. What is the biggest success you have seen risk management contribute to an organisation?

The requirement at BET was to introduce 'measurable loss control programmes' in all trading companies. Because these programmes were measurable, it was possible to demonstrate and quantify the savings. The success of the loss control initiative was achieved substantially because of the strong support provided by the group chief executive, who linked bonus payments for senior managers to the success of their individual loss control activities.

4. What words of wisdom do you have for anyone starting to think about implementing risk management?

I think the most important characteristic of a successful risk manager is the ability to have influence within the culture of the organisation. Any risk management initiative that is separate from other management activities and has its own distinct and separate management information streams will not be successful. In simple terms, align your activities to support the success of the organisation; avoid inappropriate risk management methodologies; and, in particular, do not have pointless arguments about risk management terminology with your colleagues.

David Clamp
Director of Safety and International Operational Support
Raleigh International

What's your name and where do you come from?

My name is David Clamp and I am the Director of Safety and International Operational Support at Raleigh International, a sustainable development charity working through, for and with young people. Our Head Office is in Westminster, but we have additional bases in Nicaragua, Costa Rica, Borneo, Tanzania and Nepal where we run our programmes. I've been here for three years but my time in the international development sector goes back 20 years to when I started as a VSO volunteer in China.

How did you get started in risk management?

I only formally started working in the risk management field in 2007 when I returned from being a VSO country director in the Gambia. But even in that role I was responsible for all the operations in the country, and risk management was a part of everyday life: though not as formalised as it is for most International NGO Country Directors today.

When I returned to the UK, VSO were looking to build a Safety Management System and I was looking to change the focus of my work. I had always been interested in the logistical side of VSO's work so it seemed like a perfect opportunity for me. I scoped out what a process to develop a System might look like, but I became so caught up in the work that I took on the full-time role. At the time I was new to concepts surrounding risk and risk management but thanks to supportive colleagues in the NGO field and some well placed training I learned fast, so by the time I joined Raleigh, I had 7 years of risk management under my belt. Now, at Raleigh I have broadened my risk management portfolio and as well as overseeing our operations overseas and in the UK, I also oversee the Risk Register and engage with the trustees of the organisation on risk.

What are your top tips for embedding risk management?

I think it's important to recognise that everyone is a risk manager at heart and a lot of what we do is formalising common sense. If we are able to explain risk management in straightforward terms to our colleagues and help them apply the principles themselves, it makes our job so much easier. Everyone wants to keep people safe and if we all agree on what the risks are and how to mitigate them, then we are 95% of the way to achieving the goal.

What achievement are you most proud of?

Of course I am proud that serious incidents will have been prevented and numbers of incidents have reduced in the two key organisations I have worked for in the last 20 years, but it's not really human nature to celebrate prevention, we tend to focus on more concrete achievements!

In that respect one of the most complex and taxing pieces of work I was involved in was being responsible for quickly relocating 45 development workers from all over South Sudan during the start of hostilities in mid December 2013.

My target was to get everyone out of the country and to their own country by Christmas, and we achieved that – by a number of different routes over land and air.

Crisis management is never easy but it's important to be confident, so I always ensure that we run tests regularly here at Raleigh International and invite colleagues from other organisations to observe and help us. I hope they also learn something useful to take back to their own organisations.

In fact, we held our annual Head Office test in August. My role was Chair of the Crisis Management Team and though the scenario was very complex, it was a hugely productive day in terms of learning: if anyone wants to know more about how events like can work, let me know!

What's the strangest risk you've ever had to deal with?

As I have been working with volunteers for the last 20 years and in some of the most remote parts of the world, I have an awful lot of odd risks to mention!

Naturally we always need to ensure we understand everything about a context from the political environment to community politics, to risks from natural disasters, road safety and even the local wildlife, especially in Raleigh where are programmes are based in rural areas. We work in some of the most bio-diverse locations in the world, for instance the heart of the Borneo rainforest. So in that context, it's important that we know what to do if we see a wild animal in a village.

In the past, my roles have required me to have a comprehensive understanding of political and security risks so I might have found myself discussing protecting Pakistani colleagues from bomb threats in cities one day, and then ensuring volunteers can get access to adequate nutrition in the Sahara the next!

Alyson Pepperill
Chair, IRM Charities Special Interest Group
Risk management for charities

Following various requests for the SIG to consider how charities can set their risk appetite in 2015 and 2016 we are pleased to announce the publication of the third in our series of 'Risk Management for charities' with a leaflet and accompanying guidance booklet on – 'Setting risk appetite'.

When we held a Working Group meeting on the 10th May the feedback from the delegates was that most people had risk management in place as a process and are moving towards embedding risk management throughout the organisation. However, few had tackled, or considered how to tackle, risk appetite.

There were various drivers within charities calling for this work to be undertaken. In some circumstances requests came from trustees (often those involved in the financial services industry as a day job), or from auditors (who viewed this as another key milestone to achieve), and occasionally from risk practitioners. One big debate in our work group meeting was whether it was 'necessary' and just how helpful it would be in practice.

A key requirement that emerged was to create something that 'licensed' employees to take risk within the articulated appetite rather than for work to be stifled or delayed waiting on decision makers to consider and respond.

> **SIG is all about developing useful support for charities**

We took these items on board and figured out a table (see page nine of the supplementary guide) which so far (!) everyone likes as it is a cohesive way of recording what is and what is not within the appetite of an organisation, and also capturing when risks need to be escalated.

As we have repeated many times the SIG is all about developing **useful** support for charities that is grounded in being **practical** rather than theoretical.

Another key point to highlight to you is the process diagram on page five which plots how to tackle risk appetite setting in a step-by-step way, which the booklet then expands on.

A special thank you to Nazier Hashemi of Crowe Clark Whitehill and Joe Nickel of Parkinson's UK for their contribution to the work. Nazier and Joe had been working on risk appetite for some time and part of our proposal definitely draws on the process they have employed at Parkinson's.

Finally and interestingly additional feedback was that once risk appetite was set how could you monitor and who should review? Whilst Internal Audit was the answer to some, there are many who don't have an Internal Audit function. We see this question as a piece of work for 2017 when we want to consider the issue of Risk Governance – or who does what, when.

Please do take a look at both documents and we hope they will prove to be of use to you and your charity.

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Heather McLoughlin
Policy and Public Affairs Officer, Charity Finance Group
Fraud Prevention for Charities

With the Annual Fraud Indicator (AFI) announcing in May an estimated £1.9bn cost of fraud to the charity sector (a 73% increase from 2013 when the cost was £1.1bn) managing the risk of fraud has never been more important for charities. Countering fraud is still relatively new for many in the charity sector and for many charities it is hard to know where to start.

With ever more high profile cases of fraud and with charities increasingly coming under scrutiny from the media and the sector, the risk of fraud is now not merely a financial loss but could also be serious reputational loss. Charities must not be naïve and think that their reputation of performing altruistic work will deter fraudsters. Fraudsters target the charities because they are perceived as a softer target and a lower risk than other sectors.

Many of those working in the sector may not be aware of the various types of fraud, as say those, who work in financial services where fraud is comprehensively understood and managed. Fraud takes many different forms and fraudsters are operating in ever more advanced ways means charities are increasingly at risk.

Experts think the reported figure of £1.9bn for the sector is just the tip of the iceberg of actual fraud occurring. It is impossible to ever fully know the extent of unknown fraud in the sector. Reporting fraud to Action Fraud and the Charity Commission is a must and will help the sector plan fraud prevention.

For charities and their Trustees that are assessing the risk of fraud, it is important that they let go of the belief that no reported fraud in the organisation means no fraud is happening. Discussions must be had within charities about how they can combat fraud. Charities are increasingly including a fraud response plan on their risk registers.

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> **Charities must not be naïve when deterring fraudsters**
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Thankfully, with a growing awareness of the cost of fraud to the sector there are more resources than ever for charities to use. CFG and PKF Littlejohn have produced a guide for the UK charity sector to use to counter fraud. Here are four tips from the guide to help counter fraud:

1. Action is a must!

The motto 'Be Prepared' should be the attitude taken for tackling fraud. There are always things that charities can do directly (whether big or small) to help reduce fraud. Charities should check the current steps that they are taking to reduce fraud and see if whoever is accountable for countering fraud understands their responsibilities. Updating and reviewing charities counter fraud strategy to plug any gaps and consider new risks (such as cyber-fraud) is essential. A strong counter-fraud strategy should help to mitigate both internal and external fraud.

2. Understand what fraud is.

There are many aspects to fraud and there may be parts of a charity which could be at risk to fraud that has not been considered previously. It is important that charities dedicate time to identify and understand where they could be at a greater risk of fraud. The Charity Commission checklist is a good place to start when looking at areas within charities that might be exposed to high risk.

3. Performance-manage counter fraud work like any other area of work.

Fraud is a business cost that can be measured, managed and minimised. Just like any other unwanted expenditure charities should look at how it can be reduced. Counter fraud work should be integrated into your standard performance indicators. This will also ensure that everyone can see the benefits of a strong counter-fraud culture.

4. There is no 'one size fits all' method for tackling fraud.

Charities need to find the method that works best based for the size of their organisation, their available resources and the kind of activities that your charity undertakes. Charities need to take a proportionate response to fraud risks and need to consider whether the actions they are taking go far enough to protect their organisation.

There are a variety of options, from seeking advice from professionally accredited counter fraud specialists to reading the Charity Commission website and CFG's fraud guide there are lots of tools at charities disposal and charities should look around.