

**A prudent person sees trouble coming and ducks;
a simpleton walks in blindly and is clobbered.**

Prov 27:12 (MSG)

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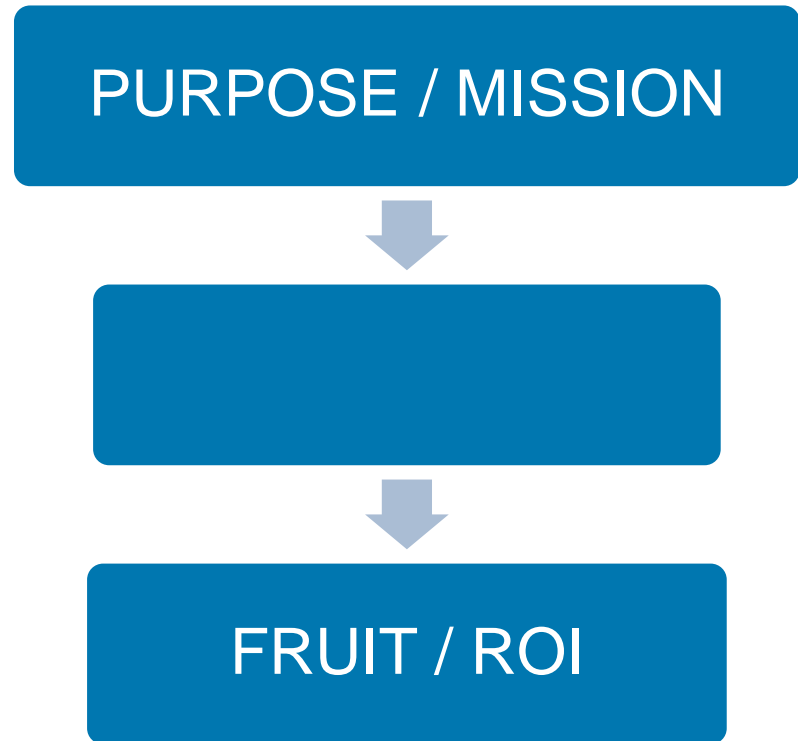
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**How
it all
works...**

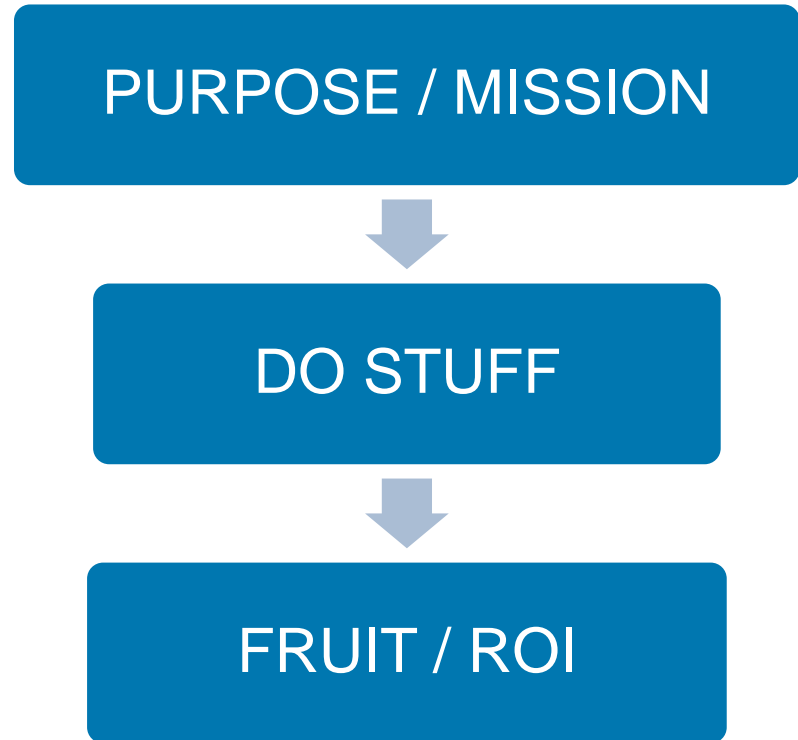
PURPOSE / MISSION

How
it all
works...

**How
it all
works...**



**How
it all
works...**





ea insurance

for organisations that change the world

“A ship is safe in harbor,
but that's not what ships are for.”



**The bible is littered
with people who took
risks...**

The bible is littered with people who took risks...

Noah

Abraham

Moses

Joshua

Rahab

David

Peter

Jesus

**Their risks were
driven by a word
from God, and were
intentional... not
reckless.**

**When evaluating how well
we are living our purpose,
we need to ask...**

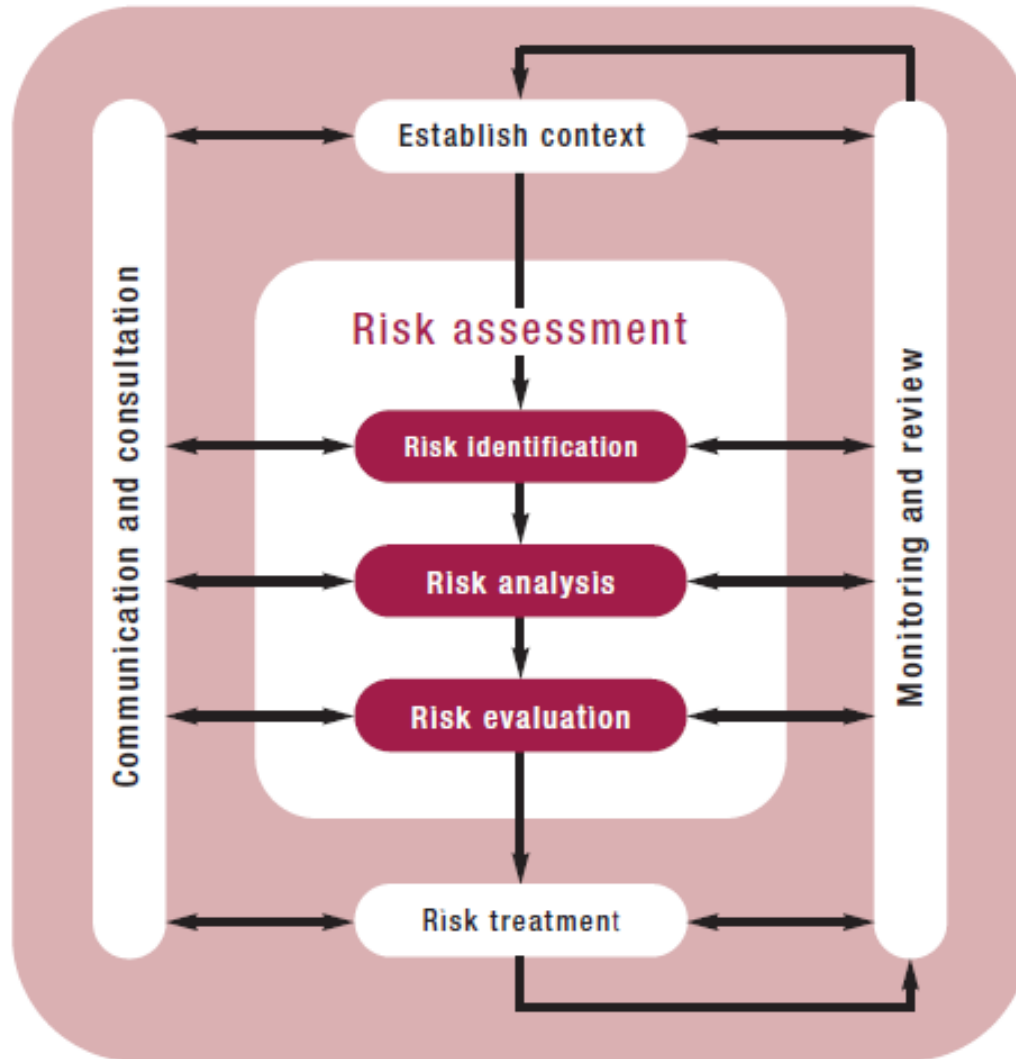
**“Are the risks I am taking
commensurate my call?”**

Two levels of Risk Management:

- **Governance (board)**
- **Operational (day to day)**

RISK MANAGEMENT PROCESS

AS/NZ/ISO 31000:2009



Identify your risk

Financial

Accounting Standards
Interest rates
Taxation & Government
Donor health / funding

Infrastructure Risks

Natural Disasters
Pandemic & terrorism
Suppliers
Communications

Financial

Accounting Practices
Debt & Credit decisions
Finance accountabilities
Expense/budget Mgt

Infrastructure

People – Volunteers & staff
Health & Safety
Property
IT Systems

External

Internal

External

Risks

Marketplace

Accountability Controls
Intellectual Property
Contracts / legal
Alliances

Risks

Brand & Reputation

Sub Brands
Board Composition
Accountability Controls
Risk tolerance

Risks

Marketplace Risks

Economic Environment
Opposing Parties
Competition
Technology / Marketing

Brand & Reputation Risks

Community Perception
Competitor action
Regulatory
Major event failure

EVALUATE & ANALYSE RISK

Likelihood	Consequence				
	<i>Insignificant</i>	<i>Minor</i>	<i>Moderate</i>	<i>Major</i>	<i>Catastrophic</i>
Almost Certain	M	H	H	ER	ER
Likely	L	M	H	H	ER
Possible	L	L	M	H	ER
Unlikely	L	L	M	H	H
Rare	L	L	L	M	H

RISK RATING

ER = Extreme Immediate action required to eliminate or reduce risk

H = High Senior management attention needed

M = Moderate Action must be taken to eliminate or reduce the risk

L = Low Managed by routine procedures

TREAT RISK

WHAT ARE CONTROL MEASURES?

Hierarchy of Controls... outcomes are:

- reduction in likelihood of risks happening
- reduction of consequences of risks
- retention of risks
- risk aversion / removal
- transfer of responsibility of risks

KEYS TO TREATING RISK

Intentionally creating culture (both operationally and in governance) that is:

- **driven by vision and values**
- **has courage to step out**
- **is underpinned by accountability**

Creating policy that is:

- **clear and simple**
- **clearly communicated**

RISK REGISTER

RISK REGISTER (Example)								
No.	Risk	Details	Likelihood	Consequence	Risk Rating	Treatment	By whom	By when
1	Damage to reputation	Allegation of impropriety	Possible	Major	ER	Develop HR protocols Appoint PR agency	HR Manager	15-Dec-10
2	Employment issue	Staff member unfair dismissal	Unlikely	Moderate	Moderate	Develop HR protocols	HR Manager	30-Jan-11
3	Major building fire	Fire causing complete loss of building	Unlikely	Major	High	Create continuity plan. Review fire safety procedures	MD	30-Jan-11
4	Loss of major donor	Donor withdraws annual support	Likely	Major	ER	Develop major donor strategy.	MD	15-Dec-11
5	Board change	Key board member retires	Likely	Minor	High	Create board succession plan	Board	20-Mar-11

Monitor & Control Risks

- **How do we measure Success?**
 - reductions in impact
 - reductions in likelihood
 - reductions in occurrence
- **Improving the treatment of risks**
- **Conducting regular audits?**
- **Risk Management Culture**

Top Ten Corporate Risks

Top 10 risk concerns					
RANK	2010/11	2011/12	2012/13	2014	Change from 2012/13
1	Brand & image	Brand & image	Brand & image	Regulatory & legislative change	Up 2
2	Liquidity	Market environment - economic slow down	Market environment - economic slow down	Local economic conditions	stable
3	Human resources	Corporate governance	Regulatory & legislative change	People risk	Up 8
4	Systems	Regulatory & legislative change	Business interruption	Increasing competition	Up 3
5	Information Mgt	Human Resources	Human Resources	Brand & Image	Down 4
6	Regulatory & legislative change	Business interruption	Failure to Innovate	Global economic conditions	New
7	Corporate governance	Systems	Increasing Competition	Human Resources	Down 2
8	Market environment - economic slow down	Liquidity	Systems	Weather & natural disasters	Up 1
9	Business interruption	Capital Availability	Political Uncertainty	Failure to innovate	Down 3
10	Capital Availability	Physical Assets	Weather & national disasters	Business interruption	Down 6

Grant Thornton 2014 NFP Survey	
	Most Significant Issues / Challenges
1	Funding/grants
2	Financing the activities of the organisation
3	Fundraising/sponsorship/donations
4	Government
5	Volunteers
6	Compliance with regulations/Govt/ACNC
7	NFP sector - competition, collaboration
8	Retaining and motivating key staff/recruitment
9	State of the economy/recession
10	The role of the board/governance issues
11	Demand for services increasing
12	Lack of resources - time, training, information

FIVE FINANCE RISKS

1. Income Generation

- **Reliance on forces outside the organisations control – grants/donors**
- **Aging donor base**
- **Lack of innovation**
- **Economic Downturn**

KEY: Have a structured approach

FIVE FINANCE RISKS

2. Accounting Risks

- Taxation
- Volunteer vs self funded vs staff
- Fringe Benefits
- Org status – DGR etc

KEY: Have a structured approach

FIVE FINANCE RISKS

3. Expense Risks

- Expenditure accountabilities
- Over-administration / inefficiency
- Under-investment in the future
- Spirit of conservatism
- Cutting corners

KEY: Have a structured approach

FIVE FINANCE RISKS

4. Fidelity

- **Theft from within**
- **Offshore / project theft**
- **Funds access / signatories**

KEY: Have a structured approach

FIVE FINANCE RISKS

5. Technology Risks

- **Breach of security systems – internal & external sources (virus and system hackers, denial of service, phishing, ID theft, spam etc);**
- **Unauthorised, fraudulent or inadvertent access or release of customer or business information and funds**

KEY: Have a structured approach

WHAT TO DO?

1. Create a risk register / plan
2. Action the risk register / plan
3. Review the risk register / plan regularly

*The time to plan is on top of the mountain,
not when you are in the thick of the woods.*