

Top Risks Review 2018

Charities Special Interest Group



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Alyson Pepperill CFIRM

Chair IRM Charities Special Interest Group

Introduction

In 2016 the Institute of Risk Management Charities Special Interest Group held a top risk survey, the results of which have been used to inform our work for the coming years. The top six risks were considered. Much of the way that these can be managed links back to identifying, assessing and addressing them by considering whether to tolerate, terminate, treat or transfer each one. It is essential to undertake this process regularly and to update your means for recording risks as and when the risks change – including when the external landscape changes.

A helpful way of making this work in practice is by clearly setting out what the organisation's appetite for risk looks like. If you can be clear on this, you will empower your people to drive the organisation forward and allow your trustees and senior management the comfort of knowing that everyone knows what is and is not acceptable.

Respondents were asked to pick their top five risks from the following list:

- Fundraising
- Information governance
- Cyber
- Safeguarding
- Health, safety and security
- Loss of public confidence
- Trustee governance
- Fraud
- Financial sustainability
- Aging population and giving dynamics
- Trustee disconnect to Senior Management Team
- Competition between charities and also charities and private sector
- Media scrutiny
- Crisis management
- Brand decline
- Volunteer management
- People: employee retention and quality
- Duty of care
- People based overseas
- Global compliance with legislation and regulation
- Brexit – foreign currency, inflation, uncertainty
- Funding sustainability
- Service delivery contracts
- Organisational resilience and continuity

The majority of respondents were people working in the charity sector.



Alyson



Richard Lane

Managing Director, Ansvr Insurance

Introduction

Ansvr are delighted to support and work with IRM Charities Special Interest Group as we very much value their contribution to this sector. Charities are not immune from external factors that can impact them from achieving their objectives and meeting their mission. This research is consistent with a recent survey undertaken by the Chartered Institute of Internal Auditors that highlighted cyber, data protection and compliance as key organisational risks in the private and public sectors. It is essential we all are proactive and focused in managing the risks that could cause significant harm to our organisations.

The results show an increase in the concern of cyber risk from 12th to 1st place is a significant but not surprising movement. Suggested key influencers include raised awareness of incidents in the commercial and not charity sector, introduction of General Data Protection Rules (GDPR) and the focus that went alongside that work.

The introduction of the GDPR regulations has helped charities to compile asset registers which in turn has led to an increased appreciation of potential threats. Many organisations now have increased reliance on digital technology to achieve objectives.

2017 – The top ten (eleven!)

1. Funding sustainability (53%)
2. Financial sustainability (49.6%)
3. Fundraising (42.4%)
4. Health, safety and security (32%)
5. Organisational resilience and continuity (30.4%)
6. Duty of care (25.6%)
7. = Volunteer management (23.2%)
= Employee retention and quality (23.2%)
8. Global compliance: legislation and regulation (20%)
9. = Competition
= Safeguarding

2018 – The top ten

1. Cyber risk (44%)
2. Funding sustainability (41%)
3. GDPR – new for 2018 (41%)
4. People: employee retention and quality (38%)
5. Global compliance: legislation/regulation (33%)
6. Organisation resilience and continuity (28%)
7. Information governance (26%)
8. = Brexit (21%)
= Fraud (21%)
= Financial sustainability (21%)

Here is a summary of each of the top risks and how they may be addressed.

1. Cyber

About the risk

The risk of financial loss, disruption or damage to the reputation of a charity from failure of digital risks such as those caused by:

- Deliberate, accidental or unauthorised /unintended breaches
- Poor system design or integrity
- Lack of IT processes such as 'patching'

Ways to manage the risk

- Continually raise awareness of your people via training
- Strong leadership with IT controls in place
- Have a tried and tested response plan

Ways to improve

- Continually assess and test the robustness of your cyber defences. It is now a way of life
- Learn from any incidents (yours and others) and update your policies and procedures as appropriate
- Have a clear digital strategy

Useful Links

www.gov.uk/government/publications/cyber-essentials-scheme-overview

<http://www.ncsc.gov.uk/charity>

<http://www.ncsc.gov.uk/guidance/10-steps-cyber-security>



2. Funding Sustainability

About the risk

Funding sustainability involves over reliance on certain income streams e.g. local authority contracts where award does not match core costs to charities, as well as the issues of competing with other charities and the private sector.

Ways to manage the risk

- Develop organisational agility to grasp new income channels. Data management critical
- Ensure services provided cover your real / core costs
- Review your reserves policy

Ways to improve

- Do Trustees know the complete financial picture via regular reporting?
- Learn from lessons of the past
- Continually calibrate your business model
- Merge or consider acquiring another charity with similar objectives to create economies of scale and make it more cost effective

Useful Links

Cass Business School – Charities Programme Office – Training Support

The Funding Gap: Why do business models break? Mark Salway. Page 49 – Charity Finance – July 2018.



3. GDPR

About the risk

These regulations are an extension of the Data Protection Act making it easier for consumers to control how their personal information is used by organisations. Consumer consent is required in what information they may have access to and how it can be used.

Ways to manage the risk

- Understand where consumer information is held via the asset register compiled for GDPR
- Ensure you have reviewed how you obtain consent from your donors
- Staff training is a priority
- Ensure breach reporting procedures are in place
- Is data stored securely?
- Are consumers able to change their status e.g. unsubscribe easily?

Ways to improve

- Keep up with the latest GDPR/DPA developments
- Make sure the organisational Crisis Management plan includes GDPR breach responses

Useful Links

ico.org.uk/for-organisations/charity/charities-faqs



4. People Retention & Quality

About the risk

The charity sector has higher staff turnover than the private sector especially in fundraising and finance roles*.

Skills gaps are impacting capability to meet targets/service delivery.

Ways to manage the risk

- Publish remuneration policy
- Create training budget
- Staff training/development plans to enhance career progression
- Absence policy
- Enhance volunteer support

Ways to improve

- Succession Planning
- Empowerment culture
- Review key posts with external help where needed to ensure market competitive

Useful Links

www.icsa.org.uk

www.cipd.co.uk



5. Global Compliance/Legislation

About the risk

Growing attention in non-UK countries that UK-based charities comply with local legislation. Non-compliance may negatively impact wider reputation.

Ways to manage the risk

- Seek external advice
- Consult with other charities already working in overseas areas
- Liaise with UK and other governments

Ways to improve

- Continually consult widely
- Learn from other charities and the private sector
- Regular contact/reporting from local staff

Useful Links

<https://www.gov.uk/guidance/charities-how-to-manage-risks-when-working-internationally>



Next Steps

Charities will continue to operate in a turbulent environment. Hopefully in the near future we will have better understanding on how Brexit will impact this sector. IRM Charities Special Interest Group will be contacting stakeholders for their views later this year so we can identify the top risks for 2019.

*Civil Society News 20 October 2014. 22% of turnover levels in the voluntary sector is higher than the private sector at 14%.





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