

INSPIRING SCOTLAND

Trustees being blind-sided is no excuse

Every year we see more and more insolvency, cyber-attacks, IT shutdowns and some big names being caught up in scandal. Shock aside, can these events ultimately be traced back to a failure to manage risk effectively?

We would argue there is no such thing as being blindsided in Charities; more than likely there was perhaps complacency, some form of ignorance and a lack of communication at the top. All charities possess the ability to be proactive when it comes to risk management. However, many are unprepared due to a failure to understand fundamentally what risk management is about and manage the 'right' risks effectively.



As the outside professional looking in, it's easy to identify how and why things go wrong. Was this unforeseen; a breakdown in communication; a failure to invest; or generally a failure of the management to keep on top of things? No, it was ultimately a failure to be proactive when it came to risk.

Getting your organisation to become more proactive is not rocket science. It can be achieved by taking a step back from the risk register to consider whether it is looking at risk or instead impacts or issues. From experience, it's likely to be a combination of both. Remembering an impact is an outcome and an issue is not a risk because it already exists, there's no likelihood involved. Risk identification in a charity environment is not about identifying the outcome, it's about identifying the risk. Ultimately, what we are saying is it's not the things that keep you up at night that you should be worried about. Take a step back - it is what you could be failing to do that could lead to these outcomes you need to focus on.

Take skills shortage as an example. At Trustee level this should have been identified in the risk register as "Fail to ensure appropriate and safe staffing levels". A comprehensive approach should have identified all the possible reasons as to why this could happen, such as ineffective monitoring of leave, recruitment issues, pandemic illness, ineffective HR Systems or industrial action. Each of these causes should have had controls in place challenging the likelihood, so that this risk should have a low likelihood of occurring. However, if like a lot of charities you thought the risk to be 'lack of skilled staff causes risk to safety' then you would soon find yourself managing the wrong thing. Safety was never the risk, safety implications was one of a number of potential outcomes of not ensuring your organisation had appropriate and safe staffing levels.

Translate this thinking to reputation. It's wrong to think the risk is that the organisation is criticised or damaged by a particular event; in the same way it is wrong to think the risk is the event. The real risk is actually two-fold, firstly your ability to prevent that event from materialising and the second is your ability to respond appropriately and effectively to the event should it occur, the subsequent impact is the brand damage. The likelihood of the charity not preventing or responding can vary depending on what that 'event' is and the impact magnitude can also vary depending on what the event is. Therefore effective risk scoring can make the difference between an informed or ill-informed executive.

		Risk Likelihood				
		RARE	UNLIKELY	POSSIBLE	LIKELY	ALMOST CERTAIN
Risk Impact	MAJOR	B (15)	B (19)	A (22)	A (24)	A (25)
	SIGNIFICANT	D (10)	C (14)	B (18)	A (21)	A (23)
	MODERATE	E (6)	D (9)	C (13)	B (17)	A (20)
	MINOR	E (3)	E (5)	D (8)	C (12)	B (16)
	NEGLIGIBLE	E (1)	E (2)	E (4)	D (7)	C (11)

Ask yourself, do you get that high level of assurance that the things that keep you awake are being managed effectively. Are you the reactive organisation that is blindsided first by the cause and then by the outcomes; Are you now firefighting your way through, sometimes successfully but other times unsuccessfully?

ERMG can help, our fixed fee risk management support starts from as little as £750 and is designed to fully understand the activities of our client, consider the main areas of risk and help provide you and the organisation with cost effective and proportionate approach to better manage your risks.



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