

A Risk Management Model for your Federation

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Why have a model?

- ❑ Risk is inherent in any business, for- or non-profit.
- ❑ Managers and employees practice risk management every day: making decisions on what to do, how to do it, and when to do it.



Why have a model?

- ❑ More and more, active risk management is being driven by governance demands. Risk management modeling offers
 - clear information to your board of directors on the risks your organization is facing, and how they are managed
 - assurance that matters for which it is accountable, both legally and politically, are suitably managed.
- ❑ Risk management gives a clear sense of the risks facing your organization.



Why have a model? (cont'd)

- ❑ A risk model does not have to be complex ; it depends on the variety of risks facing your organization and the depth of the analysis required to determine them.
- ❑ Case in point: the lemonade stand



Why have a model? (cont'd)

- ❑ The model can be modified over time allowing it to be expanded or updated at regular intervals as risk circumstances change.
- ❑ It allows an organization to focus on what is more challenging to control versus what is easy to control.



What is a risk management model?

A risk management model is

- ❑ a systematic and proactive approach to managing risk
- ❑ a model that quantifies risk with a scoring system
- ❑ a way to identify high-risk areas and manage/control them to reduce risk to an acceptable level, minimizing negative outcome as much as possible.



CHF Canada's Model

CHF Canada's risk management model evaluates

- ❑ the natural likelihood of a risk event occurring, before any steps are taken to minimize that likelihood
 - this is a subjective rating
- ❑ the measures you have in place that would reduce, or mitigate, the likelihood of the event happening
 - policies, practices



CHF Canada's Model (cont'd)

CHF Canada's risk management model evaluates

- ❑ any reactive mitigation measures that may be available to minimize the impact of the event after it happens.
 - transfer of risk (through insurance, outsourcing)
- ❑ the overall severity of impact on the organization if the event happens, using a weighted scoring system



CHF Canada's Model (cont'd)

- ❑ Some risks cannot be mitigated fully or partially – through either preventive mitigation or transfer of the risk; the organization may need to accept the risk.
- ❑ Where high-risk activities are identified, we look for opportunities to develop new systems, implement new practices or mitigation techniques that reduce the overall risk score.



CHF Canada's Model (cont'd)

- ❑ Operational risks
 - Financial, e.g. investment return failure
 - Non-financial, e.g. staff recruitment failure
- ❑ Strategic risks, e.g. loss of relevance to members, commercial program failures
- ❑ Reputation risks, e.g. loss of expertise, public embarrassment
- ❑ Governance risks, e.g. failure of governance recruiting, director liability



CHF Canada's Model (cont'd)

	Probability of occurrence	Impact (quantifiable)
1. financial management failure	1	<ul style="list-style-type: none">❑ loss of monetary assets❑ lack of spending control❑ poor performance against budget❑ payroll/tax outcome



CHF Canada's Model (cont'd)

Response	Mitigation: Preventive	Mitigation: Reactive ("After the fact")
M, A	<ul style="list-style-type: none"> ❑ adequate financial policies adopted ❑ financially competent management at senior levels ❑ thorough hiring processes established ❑ internal financial controls in place (<i>Policy 4.2.1</i>) ❑ active role for Finance and Audit Committee ❑ financial statements and reports provided to Board, Council ❑ finance orientation provided to new Board/Council members ❑ monthly and annual statements prepared by chartered accountants ❑ expert investment manager engaged ❑ investment manager services evaluated at regular intervals ❑ auditors evaluated annually; audit to be tendered every five years 	<ul style="list-style-type: none"> ❑ claims against D&O insurance coverage for volunteers and staff ❑ management/financial personnel changes



CHF Canada's Model (cont'd)

Composite Risk Score

5

(time to recover may be longer than 1 year, but less than 5)



CHF Canada's Model (cont'd)

	Probability of occurrence	Impact (quantifiable)
6. member retention failure	2-3	□ loss of revenue base



CHF Canada's Model (cont'd)

Response	Mitigation: Preventive	Mitigation: Reactive ("After the fact")
M	<ul style="list-style-type: none">□ recruitment and loyalty strategies in place and subject to periodic revision□ value for dues proposition maintained	<ul style="list-style-type: none">□ active targeted recruitment campaign



CHF Canada's Model (cont'd)

Composite Risk Score

11-16

(time to recover
may be longer
than 5 years)



CHF Canada's Model (cont'd)

	Probability of occurrence	Impact (quantifiable)
8. loss of staff	2-3	<ul style="list-style-type: none">□ loss of continuity□ loss of expertise/experience



CHF Canada's Model (cont'd)

Response	Mitigation: Preventive	Mitigation: Reactive ("After the fact")
M, A	<ul style="list-style-type: none">□ staff loyalty encouraged through competitive salary, benefits package□ positive work environment given priority□ staff input to organization development invited	<ul style="list-style-type: none">□ key responsibility (short-term) succession planning in place



CHF Canada's Model (cont'd)

Composite Risk Score

10-15

(time to recover
may be longer
than 1 year, but
less than 5)

