

## Risk Oversight

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## Risk Oversight



### Audio Dial-In Information:

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Access Code: 7853891

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- What is Risk Oversight?
- Who is responsible for risk oversight?
- What are common methods discharging the responsibility for risk oversight?
- How will we know that we're exercising appropriate risk oversight?

## What is Risk Oversight?

“Risk oversight” and “Risk governance”  
are sometimes used interchangeably

Let's compare to “fiscal oversight”:

- The board doesn't act as the nonprofit's bookkeeper, but is informed, aware, and confident asking questions about fiscal health, fiscal indicators and benchmarks, and financial management practices

## What is Risk Oversight?

The board doesn't act as the Risk Management Committee, but is:

- Aware of the nonprofit's top risks;
- Contributes to a shared perspective on risk;
- Confident that operational, enterprise-wide and enterprise level risks are surfaced in a timely manner;
- Confident asking questions about factors that influence risk, risk management methods and policies, and assignment of risk responsibility.

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## Let's define Risk Oversight

- Oversight of the organization's approach to surfacing and responding to the critical risks it faces.



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## Who is responsible for risk oversight?

- “Ultimate risk oversight responsibilities belong at the board level.”

*An Evolving Model for Board Risk Governance, RIMS 2011*

- A 2010 study of S&P 500 companies by Deloitte – 58% said audit committee is primarily responsible for risk oversight

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## Lessons from the U.K.

In 2009, David Walker undertook a review of corporate governance in UK banks and other financial industry entities due to the 2008 financial crisis. The Walker Report's recommendations included:

- enhancing the role of the board risk committee
- ensuring that the board risk committee has appropriate access to external risk information
- due diligence by the board risk committee on significant acquisitions and disposals
- improving the annual reporting of risk management

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## RIMS Instant Poll - 12/10

“How does your organization’s board discharge its risk oversight responsibilities?”

- 21% Full Board
- 32% Audit Committee
- 25% Risk Committee
- 7% Other Committee
- 15% No Formal Oversight

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## Common Methods for Exercising Risk Oversight

- Identify and categorize risks
- Assign responsibility to appropriate risk teams
- Develop committee charters
- Determine meeting schedule, reporting formats, methods for escalating or delegating risk issues
- Engage with board to determine its preferences for receiving risk updates; type, frequency, etc.

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## Key Risk Oversight Questions

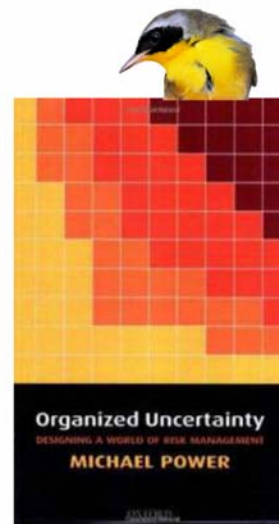
- Is our risk-taking calibrated to balance the demand for short-term performance/success with long-term sustainability?
- Do we acknowledge (or bury) failure and do we exercise discipline in learning from our mistakes?



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## Enterprise Risk Management

“ERM has emerged as a significant category for rethinking the organization of risk management activities... ERM should be understood as referring to **any broadly based conception of risk management...** It signifies any aspiration for a form of risk management practice which is all encompassing in scope, business-focused, and is suggestive of a bird’s eye view of organizational life.”







# Ten Principles for Effective ERM Risk Oversight

**#1**

Understand key  
drivers of success

**#2**

Assess the risk IN  
current strategies



A hummingbird with iridescent green and blue feathers is shown in profile, hovering and feeding from a cluster of small, reddish-orange flowers. The background is a soft, out-of-focus mix of green and pink.

**#3**

**Define the role of the full  
Board of Directors & others**

**#4**

**Determine if your existing “system” is  
appropriate & has sufficient resources**

Two Laysan Albatrosses are perched on a nest made of dry grass and twigs. They have white heads and necks, dark grey bodies, and distinctive blue-tipped bills. The background is a blurred natural setting with trees and a clear sky.

**#5**

**Determine the types/format  
of risk info the Board requires**

**#6**

**Encourage constructive risk dialogue  
between management & the Board**





**#7**

**Closely monitor the potential risks in your culture**

**#8**

**Monitor critical alignments of strategy, risk, controls, incentives & people**



**#9**

**Consider emerging and interrelated risks**

**#10**

**Periodically assess the board's ERM risk oversight processes**

## How will we know that we're exercising appropriate risk oversight?

Where and when does the topic of “risk”  
come up?

- Project planning
- Board decision-making; changes in direction
- After a loss
- Other times

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## Risk Oversight EXAMPLE



## Indicators of RM Maturity

- Capacity to identify, gauge, prioritize and manage risks
- Degree to which management decision-making has a **risk component**
- Depth to which risk awareness is 'embedded' or 'systematized' in day to day operations
- Engagement of operational units in the RM program

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## ERM Check Up

Principles of Risk Oversight	Completed	In Progress	Outstanding
Understand key drivers of success			
Assess risk in current strategies			
Define the role of the Board (and others) in risk oversight			
Consider whether allocation of resources to RM is adequate			
Determine the types (and format) of risk information the board and management require			
Encourage constructive risk dialogue between management and the board			
Monitor potential risks in your culture			
Monitor critical alignments – of strategy, risk, controls, incentives & people			
Consider emerging and interrelated risks. What's around the <i>next</i> corner?			
Periodically assess the board and management's risk oversight processes			



## Next Webinar

**May 1 / 2 p.m.**

### **HR Risk: Take the High Road without Getting Lost**

Employment risks bear a hefty price tag in a nonprofit workplace. From poor morale to costly litigation, allegations of wrongful, inappropriate or illegal employment practices threaten a nonprofit's mission. This webinar offers practical, road-tested advice for minimizing the likelihood of employment claims and avoiding common HR missteps. Plus, all registrants will receive a free chapter from the soon-to-be-released book, *Taking the High Road: A Guide to Effective and Legal Employment Practices for Nonprofits-3rd Edition*.

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## Thank you!

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