

Six questions Charity Management should know the answer to



A financial crisis built on a catastrophic failure of risk assessment has led to a world ever more focused on risk. A new government and huge deficits are also turning up the heat for everyone involved in the Charity sector to be part of the “bigger society”. Whilst being expected to do more, charities’ management are being expected to know more about the risks they face. With more emphasis on the Data Protection Act, Payment Card Industry Data Security Standards (PCI DSS), fraud prevention etc, management need to be sure that they have the right controls in place to mitigate the risk. The days of perfunctory risk assessments are gone. Welcome to a world where management need to know, with more certainty than ever, the answers to some of the really tough questions.

Some of these questions pose a stiff challenge for any management team to address and have confidence in the answer. For the management of a Charity, where operating processes are built upon the trust and goodwill of volunteers

and the outsourcing of many significant functions, the challenge is significantly larger. Consider:

1. Do your suppliers have the capital strength to survive a severe downturn or financial shock? How would a failure on their part effect the operation of the charity? For charities, all organisations that are key parts of the supply chain need to be assessed and evaluated as financially viable more regularly than has historically been the case.
2. Do you know all the key vulnerabilities in your supply chain? Most charity management teams have spent some time thinking about the possibility of a supplier suffering a major operational incident. What is often not understood is the risk that a key supplier to their service fails. That scenario is at least as likely and potentially as damaging.
3. What is the backup plan if a key supplier goes under, and is that plan viable? Prudent organisations have crisis management protocols and plans, tested to ensure they work. Consider a major incident where a charity cannot operate; it is critical that you know not only what you would do in these circumstances but who would do it and how this would impact your beneficiaries, donors and staff.
4. What is the risk posed by new initiatives? Some of these are about service improvement; many are really about cost reduction. It is vital that these initiatives are managed correctly to protect the aims of the charity.
5. In managing the assets of the charity you should know and understand the risks being taken by either your own staff or professional advisors. In particular the reliability of investment risk reported by external fund managers is dependent upon data quality, data model assumptions, detailed parameters and even the graphical choices used to present the information. Disraeli coined the phrase “lies, damn lies and

statistics". The charity needs to know the information that they receive is an accurate representation of their position at that time.

6. How secure is the personal data of the donors, beneficiaries and staff of your charity? Does your charity comply with the Data Protection Act? What is your risk exposure to financial crime? In the current environment all organisations are more susceptible to fraud and technology intrusion because typically more fraud is committed in a poor economic environment. Personal data is very valuable to the criminal community and its loss can cause devastating impacts for the victims and your reputation.

Answering these questions and understanding the charity's exposure to risk is a challenge need to embrace.

More and more services are provided to charities by third

parties and it is important to remember that, whilst you can outsource a job or process, the ultimate responsibility for the delivery of that service still remains with the charity management team. So having an effective process in place to manage suppliers is vital in today's world.

Kingston Smith Consulting LLP, the business protection consultancy, is ideally placed to help charity management to review the activities of their key suppliers, assess compliance with relevant legislation such as the Data Protection Act or PCI DSS, and report on the quality of the risk management, existing controls and the level of risk exposure for a charity. This may be through a risk management health check, or by "deep dive" review on specific areas of concern.

Kingston Smith Consulting has expertise in many business and not for profit sectors and can provide independent assessment, and remediation if

required, to provide charity management with a clear indication of their control environment.

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