20 Questions Directors of Not-For-Profit Organizations Should Ask about Risk

1. What does "risk" mean in this organization?

- Compliance risk—the risk of fines and other regulatory penalties
- External risk—the risk of becoming irrelevant, losing the support of the public and funding sources, and failing to respond to economic, demographic and other trends.
- Financial risk—the risk of fraud, financial failure and decisions based on inadequate or inaccurate information.
- Governance risk—the risk of ineffective oversight and poor decision-making.
- Information technology risk—the risk that the information technologies used in the organization may not provide dependable service and accurate, secure information that is available when needed. •
- Operational or Program risk—the risk of poor service delivery, day-to-day crises, and misuse or neglect of human capital and other resources.
- Reputation risk—the risk of losing goodwill, status in the community, and the ability to raise funds and appeal to prospective volunteers.
- Strategic risk—the risk of inappropriate or unrealistic programs and initiatives, and failure to keep the organization strong and relevant.

2. What are the organization's ethical values?

3. What are the major risks and uncertainties facing the organization?

4. How does the board get the knowledge and experience it needs to oversee risk management?

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5. How does risk get on the board's agenda?

6. How does the board organize itself to oversee risk management?

7. How does the board decide how much risk the organization can take on?

8. Who is responsible for managing risks?

"Although the board has overall responsibility for risk management, it generally delegates to the Executive Director and staff most of the detailed aspects of identifying, assessing, and managing the risks that the organization faces—subject to board policy and approval. A major policy decision for a board is the amount of authority it gives to the Executive Director—who manages risk on a day-to-day basis"

9. How does the organization identify the risks that it faces?

- Internal processes—interviews, questionnaires, brainstorming, etc.
- Self-assessment and other facilitated workshops
- Strengths, weaknesses, opportunities, and threats (SWOT) analysis
- External sources—comparison with other organizations, discussion with peers, benchmarking, risk consultants, etc.
- Tools, diagnostics, and processes—checklists, flowcharts, scenario analysis, etc.
- Audits (e.g. a safety or environmental audit)

10. How does the organization assess the risks that it faces?

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11. What strategies does the organization use to manage risk?

12. What records does the organization keep on its risks?

13. What is the organization's financial capacity to take on risk?

14. How are the board's expectations for risk management coordinated across the organization and communicated to staff and volunteers?

15. What plans does the organization have for responding to crises?

16. How does the organization's performance compare with its plan and budgets?

17. What is the status of the risks facing the organization?

18. How can the board be sure that the information it gets on risk from management is accurate and reliable?

19. What has the organization learned from its experiences with risk?

20. What does the board do to assess its effectiveness in overseeing risk?