



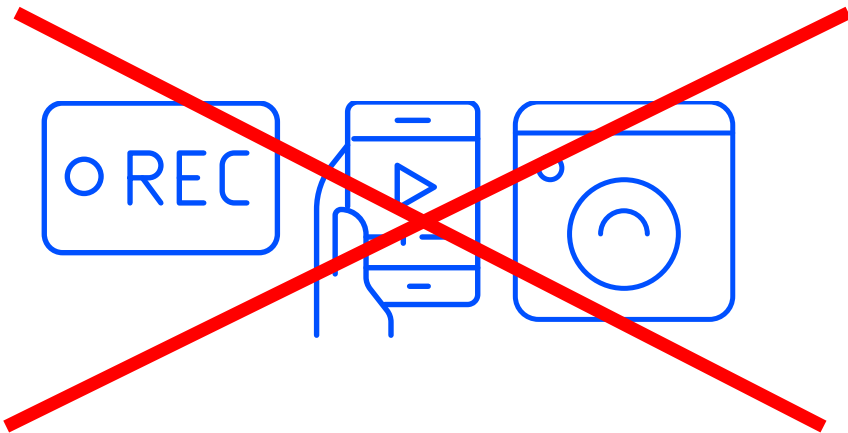
Fiscal

Risk Management

Trainers: Katherine Eilers, CPA, Manager

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Risk management

- ▶ Financial risk management
 - Oversight has long been a responsibility of boards
 - Board is ultimately responsible for the assets of the organization
 - Minimize the risks taken on by organization
 - One of a board's most important responsibilities but can also be one of the most difficult
- ▶ Risk cannot be managed from the board
 - Role is more to establish the risk tolerance
 - Communicate this to both management and employees

Risk management

- ▶ Financial risk management
 - Must be monitored regularly as the likelihood and impact changes based on circumstances
 - Board must understand potential risks, their likelihood, and the potential impact on the organization





Enterprise

Risk

Management

What is Enterprise Risk Management?

“A discussion of enterprise risk management (ERM) begins with this underlying premise: Every entity whether for-profit, not-for-profit, or governmental – exists to provide value for its stakeholders.

And all entities face risk in the pursuit of value.”

What is Enterprise Risk Management?

The culture, capabilities, and practices, integrated with **strategy-setting** and performance that organizations rely on to manage risk in creating, preserving and realizing value.

Why do you need ERM?

Why **Enterprise Risk Management** is essential to achieving your mission?

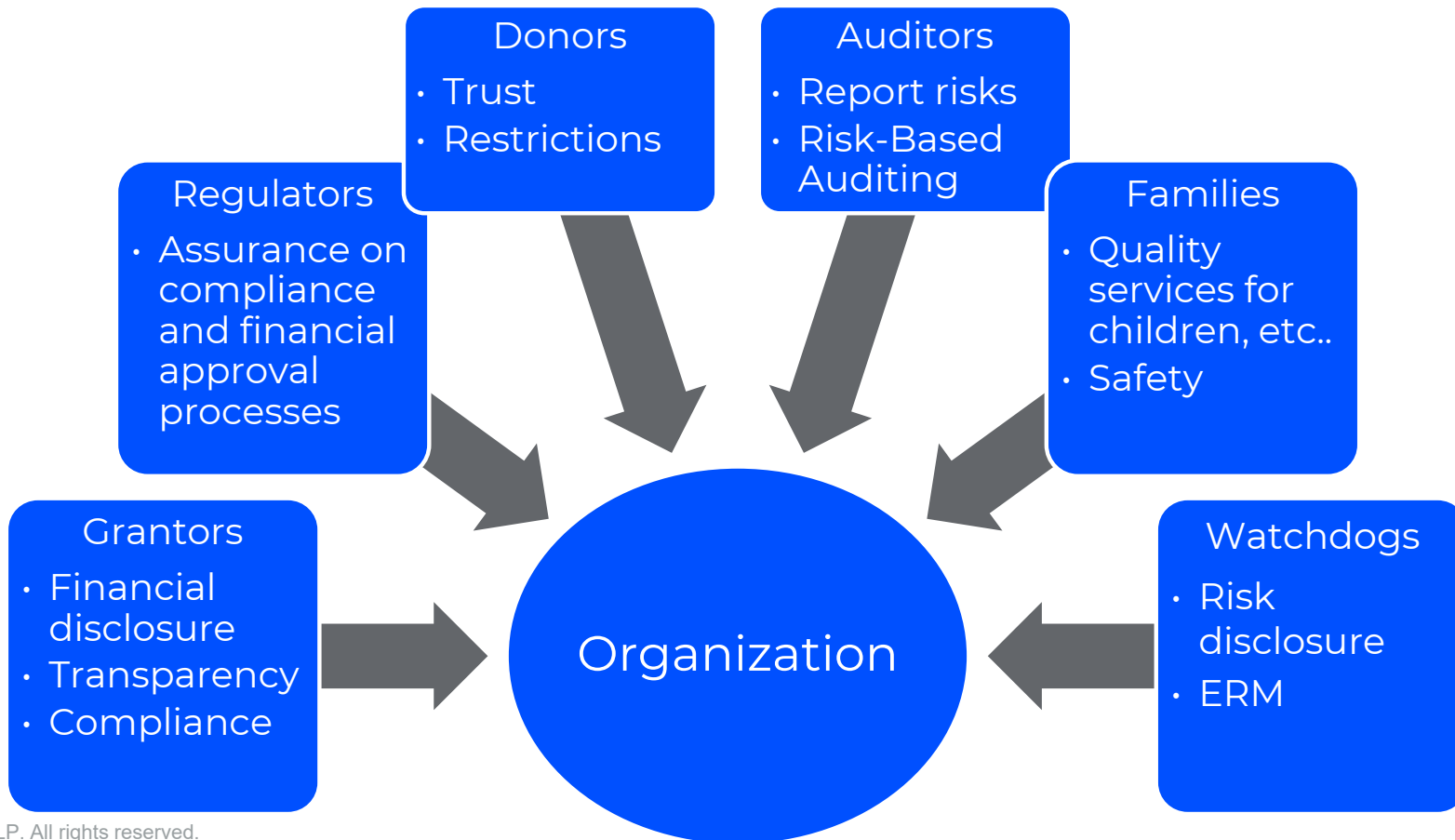


It is meant to continuously identify potential events that could materially effect the organization.



It is meant to manage risks and provide assurance regarding the achievement of the mission.

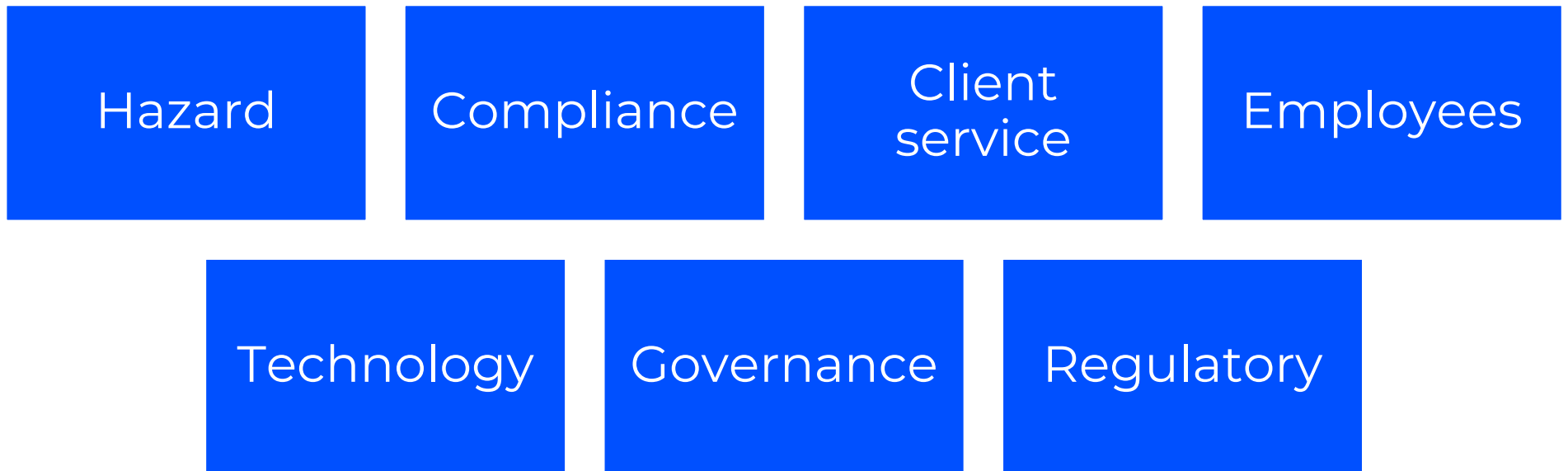
Stakeholders Drive the Need for Risk Management



Risks



Risks



ERM supports the board and management's response to reduce negative outcomes

Determining Risks



Services You Offer to
Meet Your Mission



Teams You Have to
Meet Your Mission

A photograph of two women in a professional setting, overlaid with a blue tint. The woman on the left is laughing, and the woman on the right is smiling. A white rectangular box is positioned over the left woman's face, containing the text 'Financial Risk'.

Financial Risk

Financial Risks



Focus on financial risks

- Identify risks
- What could prevent the teams from meeting program objectives or achieving mission?
- What are the fiscal aspects of the identified items?

Financial Risks

Risk Considerations

- Fraudulent reporting
- Loss of assets
- Corruption
- Other misconduct
 - Waste and abuse
 - Management override

Financial Risks

Analyze the identified risks

- Impact
- Significance
- Prioritize
- 5 components of internal control (C.R.I.M.E.)



Financial Risks



Determine tolerance

- “Appetite”
- What is acceptable? What is not acceptable?
- Tolerance will change as needs change



Financial Risks

Risk Culture

“Establishing a culture embraced by all personnel, where people do the right things at the right times, is critical to the organization being able to seize opportunities and manage risk to achieve the strategy and business objectives.”



Financial Risks

Determine response

- Accept; no response
 - Decide to tolerate risk
- Avoid
- Reduce; mitigate and manage
- Transfer or share



Financial Risks

Risk Assessment

- Risk Identification
- Risk Analysis
- Risk Tolerance
- Risk Response



Who is responsible?

Develop Plan, Monitor, Report



Fiscal Policies & Procedures

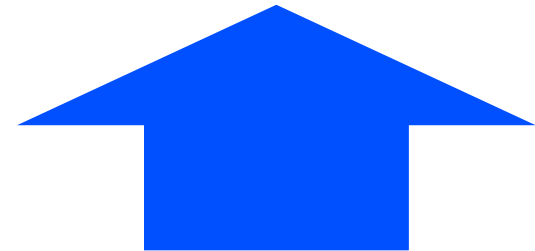
Consider

- ▶ Responsibility of Board and senior management
- ▶ Cost vs. Benefit



Cost alone is not an acceptable reason to avoid implementing internal control

Management is ultimately responsible for evaluating costs and benefits and deciding on a course of action



Benefits of Establishing a Risk Management Program

ERM Value for Mature Organizations

- Fraud Reduction – reduce and detect fraud
- Governance - enhanced and integrated
- Resource Allocation – optimized
- Transparency – increased risk identification and disclosure
- Reduced Volatility – in risk
- Consistency – in approach to risk management
- Regulatory requirements – satisfaction of regulatory requirements

ERM Value for Growing Organizations

- Strategic Plan – assists in understanding audience and program service risk
- Raising Funds – assures lenders, grantors, and donors that risk has been identified and addressed
- Talent Management & Recruitment – understand who you need and how to keep them
- Support Growth – manage the uncertainties that a new organization must understand and effectively manage to grow

Summary

- ▶ Risk management is a critical responsibility for governance
- ▶ No required way to do it
- ▶ Review it often, especially since boards and staff turn over
 - Risk tolerance may change with different leadership
- ▶ Share with management and staff
- ▶ Hold people, including the Board, accountable to the plan

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Kate D. Atkins, MS
katkins@wipfli.com
608.270.2944



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do?

Please take a
moment to fill
out your
evaluation.



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