

Aspida: Risk Workshop for Charity Managing Officers



Your partner in protecting and developing your charity

**Introduction
and Welcome**

**Helen Gains
Registrar, Guernsey Registry**

Background Briefing

**Adrian Hale, Head of AML/CFT,
Financial Intelligence Unit**

**Practical tools for
Managing Risks**

**Peter Mills
Co Chair, Aspida Group**

Panel Discussion



Your partner in protecting and developing your charity

Peter Mills

Co Chair, Aspida Group



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General obligation to mitigate risks

A registered organisation must put in place all necessary internal or other controls to ensure that neither it, nor its activities, can be used for criminal purposes – **Regulation 7**

“Criminal purposes”:

- Money Laundering
- Bribery and corruption
- Fraud
- Financing of terrorism



General obligation to mitigate risks

Controls need to ensure that:

- Funds and other assets are fully accounted for
- Funds or other assets are used in a manner consistent with purpose, mission and objectives
- All other obligations are fulfilled
- Any legal obligations are discharged

Controls need to include:

- Identification Measures
- Anti-financial crime policy*
- Reviews

*Required for organisations that carry out international activity



Key risk mitigation timelines

	International Organisations	Domestic Organisations
Registration	31/07/2022	31/07/2022
Constitutional Documentation* (Regulation 4)	31/12/2022	30/06/2023
Record Keeping Obligations (Regulation 5)	01/08/2022	01/08/2022
Identification Measures (Regulation 8)	01/08/2022	01/08/2022
Financial Crime Policy (Regulation 9)	30/11/2022	N/A
Risk Mitigation Tools (Regulation 7)	30/11/2022	31/03/2023

*Requirement for constitutional documents to set out that the organisation fulfils its obligations under its constitution, and to discharge any legal obligations (Regulation 14 (d) and (e)) – Requirement in relation to Regulation 11 (reviews).



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Anti-financial crime policy

- Summarises the risks that arise from financial activity
- Sets out the ways to address those risks.

- Not required for Domestic Organisations
- Useful for all organisations to assist in the determination of financial crime risks.

- Aspida has created guidance and template (word and pdf):
<https://www.aspidagroup.com/charities-and-nfps/>



Charities Anti-Financial Crime Policy Template 300922.pdf

Anti-financial crime policy

Template sets out:

1. Why this Policy is Needed
2. What this Policy Aims to Achieve
3. Introduction to Money Laundering
4. Introduction to Terrorism and Terrorist Financing
5. Introduction to Bribery, Corruption and Fraud
6. Introduction to Proliferation of Weapons of Mass Destruction
7. Dealings with International Partners
8. Identification Measures
9. Reviews, Oversight and Monitoring
10. Record Keeping
11. What to Do If You Are Suspicious



Anti-financial crime policy

Financial Crimes

- **Money laundering** - the process by which criminals seek to disguise the illicit origins of their funds or assets and make them appear to have derived from a legitimate source.
- **Bribery** - an interaction with a person in a position of trust that provides a benefit in order to influence and provide incentive for performing an action which is illegal, unethical or a breach of trust.
- **Corruption** - the abuse of entrusted power or authority for personal or private gain through financial crime, illegal or unethical means.
- **Fraud** - where an individual performs an intentionally deceptive action to provide them with unfair and unlawful gain or to deprive a victim of their rights.



Anti-financial crime policy

Financial Crimes (continued)

- **Proliferation of Weapons of Mass Destruction** - funds or financial services used for the manufacture, possession, development, export, transfer, stockpiling or use (etc.) of nuclear, chemical or biological weapons and related materials.
- **Terrorism and terrorist financing** - terrorism involves the calculated use of violence, whether it be an action or threat to create a climate of fear in the population.



Anti-financial crime policy

- **Identification Measures** – necessary for funds, assets or services received from or paid outside the Bailiwick that are considered significant (£15,000) or unusual
- **Reviews, Oversight and Monitoring** - compliance with the Ordinance, the Regulations and the Anti-Financial Crime Policy should be reviewed annually
- **Record Keeping** – make, keep and retain relevant records. Records must be kept, for a minimum period of 6 years
- **What to Do If You Are Suspicious** – consider reporting suspicion of the intentions of an individual or the origins of any funds or assets to the Financial Intelligence Unit in Guernsey.



Risk Mitigation Tools

Risk Assessment

- The aim is to ensure that all the Managing Officers are aware and informed of the organisation's risks
- Where appropriate reduce or manage those risks to a level that the organisation is comfortable with (risk appetite).
- All organisations required to carry out risk assessments.
- Aspida has created guidance and template (word and pdf):
<https://www.aspidagroup.com/charities-and-nfps/>
- Aspida tool is based on the UK Charity Commission and The National Council for Voluntary Organisations templates.



Risk Mitigation Tools

Risk Assessment

Risk management is the process of identifying, evaluating and controlling risks.

- 1. Identification** – Consider those things that might stop you achieving your strategy, objectives or the undertaking of your activities.
- 2. Evaluation** – Analysing those risks to assess and measure the likelihood of the risk happening and the impact on the organisation if it does.
- 3. Control** – Determining the controls in place and deciding how you will maximise and protect positive outcomes whilst also determining and prioritising what actions you might take to manage the downside (negative/ damaging outcomes) of any risk.



Risk Mitigation Tools

Risk Assessment - Step 1 – Identification

We encourage you to consider the following 5 categories (not exhaustive):

- **Compliance** (risk of failing to comply with legislation and reporting).
- **Financial** (risks to your finances, financial movements, reserves and assets).
- **Governance** (risks in capability and how your organisation is managed and directed).
- **Operational** (risk in ability to undertake the tasks, activities, and utilisation of tools to achieve objectives).
- **External** (risks deriving from government influence, your reputation, and the environment in which you operate).



Risk Mitigation Tools

Risk Assessment - Step 2 – Evaluation

- Determine the **likelihood** of the risk happening and the **impact** of the risk on the organisation if it happen.

Rating	Likelihood	Frequency narrative
1	Rare	Implausible - not likely to happen or could only happen in exceptional circumstances.
2	Unlikely	Improbable - not expected to happen, but there is a remote possibility that it could occur.
3	Possible	Plausible – could occur but unable to predict any frequency.
4	Likely	Could happen on more occasions than not but cannot be accurately predicted.
5	Certain	Probable in most cases, but without 100% certainty.



Risk Mitigation Tools

Risk Assessment - Step 2 – Evaluation (continued)

- Determine the **likelihood** of the risk happening and the **impact** of the risk on the organisation if it happen.

Rating	Impact	Effect narrative
1	Insignificant	(Negligible or trivial). One or more of the following: no impact on service, no impact on reputation, complaint unlikely, risk of litigation remote.
2	Minor	(Small but noticeable). One or more of the following: slight impact on service, slight impact on reputation, complaint possible, litigation possible.
3	Moderate	(Evident and material). One or more of the following: some service disruption, beneficiary dissatisfaction, potential for adverse publicity (avoidable with careful handling), complaint probable, litigation probable.
4	Significant	(Serious and major). One or more of the following: service disrupted or seriously limited, adverse publicity unavoidable (local media), complaint and/or litigation likely. Deficiencies must be addressed to recover and rebuild.
5	Critical	(Catastrophic). One or more of the following: loss of service for a significant time, irrecoverable adverse publicity (national media), harmful litigation expected, resignation of management, widespread and long-term loss of beneficiary confidence.



Risk Mitigation Tools

Risk Assessment - Step 2 – Evaluation (continued)

- The template will calculate the risk outcome score (multiply impact and likelihood)

RISK OUTCOME SCORING						
		LIKELIHOOD				
		1	2	3	4	5
IMPACT	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5



Risk Mitigation Tools

Risk Assessment - Step 2 – Evaluation (continued)

- Determine your **risk appetite** – how much risk you are prepared to tolerate.

Risk Score	Guidance	Potential Action	Action Narrative
1-4	Low Risk – To be managed at activity level without action.	Accept	Accepted business practice OR Exploit by increasing risk to pursue opportunity.
5-8	Low Risk – Monitor at activity level and be further reviewed.	Monitor/ Tolerate	Tolerated business OR Exploit by increasing risk to pursue opportunity with additional controls.
9-12	Medium risk - Management action required to control risk.	Reduce/ Treat/ Mitigate	Containment with controls. Change the likelihood (cause/ source) or manage impact consequences.
15-16	Medium risk - Management action to address the risk.	Share/ Transfer	Pass risk to third party(ies) to bear or share; or contingent to enact should risk happen.
17+	High Risk - Managing Officers action/ intervention required.	Avoid	Terminate by deciding not to start (or continue) activity giving rise to risk.



Risk Mitigation Tools


Risk Assessment - Step 3 – Control

- Set out the current **controls** in place to manage the risk.
- Determine the **likelihood** of the risk happening and the **impact** of the risk on the organisation with the controls in place.
- The template will calculate the resultant risk score (**residual risk**)
- The template will highlight if actions are required if your residual risk is higher than your risk appetite.
- Identify a risk owner and timeframe to review the risk and associated actions.




Risk Mitigation Tools

Risk Assessment - Walkthrough



REGULATORY AND COMPLIANCE RISK



Compliance

Risk code	Risk	Likelihood (1-5)	Impact (1-5)	Initial risk score	Target risk score (Appetite)	Current controls	Likelihood after controls (1-5)	Impact after controls (1-5)	Residual risk score	Actions required	Risk owner	Review (timeframe and process)
C1	The organisation may inadvertently accept monies that represent a bribe	3	5	15	8	Ensure that all donors rationale for donating is documented and that any conditions relating to the donation are not a bribe.	2	5	10	Create an anti-bribery policy.	Fred	31/12/2022
C2												
C3												
C4												
C5												
C6												
C7												
C8												
C9												
C10												
C11												
C12												
C13												
C14												



Panel Discussion



Aspida's services for Charities and NFPs

- **Aspida aims to help charities and not-for-profit organisations manage risk and govern effectively**
- Regulatory compliance, risk management and effective governance are vital to your organisation's stability, sustainability, reputation and success.
- Managing the challenges of evolving regulations, maintaining reliable funding and delivering your organisation's core services is already a balancing act for charities. Add the burden of risk management, compliance and governance, and the load gets heavier.
- Aspida can help shoulder that burden with services dedicated to supporting charities and not-for-profit organisations in fulfilling their regulatory, fiduciary and governance obligations.
- We are also able to advise on risk mitigation and management strategies.



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Aspida's services for Charities and NFPs

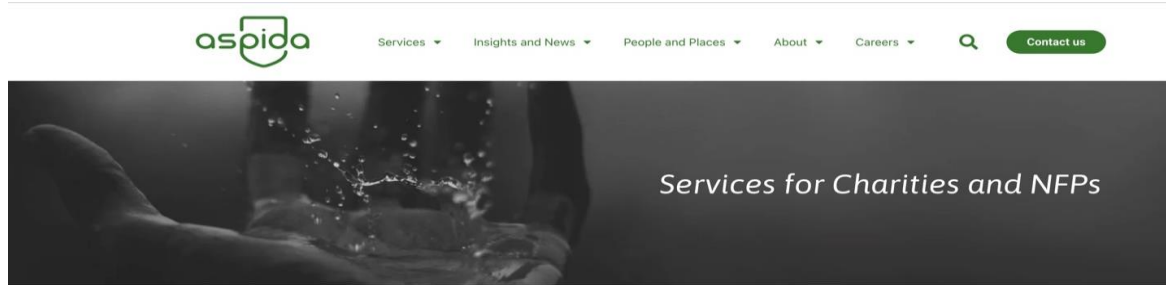
- Advice on maintenance of the statutory records and registers
- Board meeting management and support
- Annual General Meeting management and support
- Provision of Registered office and Resident Agent
- Safekeeping of the statutory records and company seal
- **New!** Digitised Board Portal
- Risk and assurance
- Anti-financial crime guidance
- Cyber resilience
- Corporate Governance



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Aspida's services for Charities and NFPs

aspidagroup.com/charities-and-nfps/



Helping charities and not-for-profit organisations manage risk and govern effectively

Regulatory compliance, risk management and effective governance are vital to your organisation's stability, sustainability, reputation and success.

Managing the challenges of evolving regulations, maintaining reliable funding and delivering your organisation's core services is already a balancing act for charities, especially those which are lean on resources. Add in the burden of risk management, compliance and governance, and the load gets heavier.

Aspida can help shoulder that burden with a range of services dedicated to supporting charities and not-for-profit organisations in fulfilling their regulatory, fiduciary and governance obligations. We are also able to advise on risk mitigation and management strategies.

www.aspidagroup.com



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Thank you for listening

To find out more about our services:

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