

ChildFund Australia Risk Management Procedure

Introduction

ChildFund Australia's Risk Management Policy is implemented and supported by a range of measures. All staff, management and Board Members are responsible for ensuring that appropriate measures are taken to manage risk in the course of their work. The measures include;

- Encourage the proactive management of risks,
- Ensure risk management becomes part of day-to-day management and embedded into organisational culture,
- Provide staff with the policies and procedures necessary to manage both organisational and project-specific risks,
- Ensure staff are aware of risks and learn how to manage them,
- Conduct ongoing training on risk management,
- Identify and rate all strategic, operational and project-specific risks,
- Identify and implement controls to minimise risks,
- Develop mitigation and contingency plans to help minimise the impact of risks,
- Ensure ongoing review and assessment of risks,
- Continually monitor the risk profile and maintain a continuous improvement approach to risk management and,
- Incorporate lessons learned into organizational planning.

ChildFund considers risk in two ways: ***organisationally*** and ***project-specifically***.

Step 1 – Identify Risks

Organisational risks will be identified as and when they arise, when there are major changes in the operating environment and during annual departmental planning.

Project-specific risks are identified during the preparation of project proposals, during planning, during implementation, during preparation of reports and during reviews. All new projects will identify project-specific risks by completing section 5 of the project proposal template. This process will identify risks that are related to each project and its specific activities.

Some of the questions to be considered are. What can happen? How can it happen? What can go wrong? What barriers would stop the annual plan, project or decision from meeting its objectives? Who else (both within and from outside the organisation) may/can influence the outcome?

List the risks identified.

Step 2 - Analyse the Risks

Analysis will separate the minor acceptable risks from the major risks, and provide information to assist in the management of unavoidable risks.

- Past records,
- Relevant past experience of ChildFund Australia and other organisations,
- Industry practice and experience,
- Relevant published literature,
- Test marketing and market research,
- Experiments and prototypes,
- Economic, engineering or other models (where relevant) and,
- Specialist and expert judgements.

Analytic techniques may include;

- Consultation with stakeholders,
- Brainstorming in workgroups (may be beneficial to include members of other workgroups who may hold different, yet valuable, perspectives),
- Running scenarios,
- Conducting participatory capacity and vulnerability assessments at project locations
- Research and,
- Using common sense and judgement.

Consider the sources of risk, and any factors that will affect consequence and likelihood.

Step 3 - Determine Consequences and Likelihood

Based on the analysis undertaken, determine the possible **consequences** of each risk using the definitions in the table below. (Appendix A provides detailed guidance for determining consequences for the major risk categories).

Qualitative measures of consequences:

Consequence	Description
Severe	Operational risk - Challenges that could impact on the ability to continue operations or threaten the existence of the organisation. Project-specific risk – Challenges that could stop projects or programs before finishing and can cause serious impacts on project outcomes, organisational reputation and/or resources.
Major	Operational Risk - Challenges that could require the organisation to take serious measures such as curtailing operations. Project-specific risk- Challenges that could disrupt outcomes and/or cause significant negative impact on project outcomes, organisational reputation and/or resources.
Moderate	Operational risk: Challenges that could be managed at country/dept. level or by senior management. Project-specific risk: Challenges that could disrupt outputs and/or may cause negative impact, but could be effectively managed by program management.
Minor	Challenges that could be managed at country/department level.
Insignificant	Challenges that staff and managers needs to be aware of but no significant management required.

Based on the analysis undertaken, determine the **likelihood** of each risk occurring using the definitions in the table below. The time period is the timeframe you would assess the likelihood.

Qualitative measures of likelihood:

Likelihood	Description	Probability	Time period
Almost certain	Is expected to occur in most circumstances	Over 90%	During review period.
Likely	Will probably occur in most circumstances	Between 60% and 90%	During review period.
Possible	Might occur at some time	Between 30 to 60%	Within 3 years
Unlikely	May occur only in exceptional circumstances	Between 10 and 30%	Within 5 years
Rare	Not expected to occur	Less than 10% (less than 1 in 10)	Not likely within 5 years

Step 4 – Rate the Risks

The main objective of this step is to determine which risks need to be monitored and managed and which risks could be considered acceptable and require no further examination. The table below sets out the guidelines for managing risk. For example, low risks could be considered acceptable while major risks need to be managed. However, it should not be assumed that all low risks could be ignored. The decision needs to be made for each identified risk based on an assessment.

Using the ratings of impact and likelihood from Step 3, decide the overall risk level for each risk. The level of risk is determined by taking into account consequence and likelihood:

Risk Matrix

The level of risk is determined by the combination of **consequences** and the **likelihood**.

Consequence -> Likelihood	Insignificant	Minor	Moderate	Major	Severe
Almost certain	M	M	H	X	X
Likely	L	M	M	H	X
Possible	L	L	M	M	H
Unlikely	L	L	L	M	M
Rare	L	L	L	L	M

The levels of risk:

X	Extreme	Risk management strategy must be put in place and the risk monitored and re-assessed quarterly. The Executive Team must be kept informed and updated regularly. The Audit & Risk committee to be briefed twice a year.
H	High	Risk management strategy must be put in place, the risk monitored and re-assessed at least half-annually. The Chief Operating Officer to be notified of all such risks and the International Program Director notified of project-specific risks. The Chief Operating Officer will decide whether to inform the rest of the Executive Team.
M	Moderate	Risk to be managed at country/departmental level and re-assessed regularly, at least annually. The COO to be notified of organisational risks and the International Program Director notified of project-specific risks. These risks will be re-assessed annually.
L	Low	Risk is low enough that the cost of managing the risk will outweigh any further risk reduction measures. These risks to be re-assessed bi-annually.

Step 5 – Risk Management Strategy

For risks considered too high to ignore or which are not being adequately dealt with, there are a number of options that may be taken. These include:

- **Avoid the risk** – decide not to proceed with the activity or change project program location although you should note that inappropriate risk avoidance (because of fear etc.) may increase significance of other risks such as leaving critical choices/decision up to other parties.
- **Reduce the likelihood** of the occurrence
- **Reduce the consequences** – have a contingency plan or critical incident plan
- **Transfer in full or in part** – this involves another party bearing or sharing some part of the risk – you could use contracts, insurance arrangements, partnerships, joint ventures.
- **Accept the risk** – after risks have been reduced or transferred, there may be residual risks which are retained. Plans should be put in place to manage the consequences of these risks if they should occur.

None of the options above should be chosen unless they have been properly assessed. This includes looking at the extent of benefits obtained, or opportunities created, the costs of implementing the option, and an overall balancing of the costs versus benefits. Sometimes the cost of eliminating or substantially reducing the risk may outweigh the potential consequences of the risk eventuating.

Step 6 – Prepare and Implement Risk Action Plans

After deciding the risk strategy (step 4), it is important to ensure that action plans are agreed and implemented to manage the risks. A risk management policy and register is of little use to ChildFund Australia unless action is taken to manage the risks identified and actions agreed are entered in the Risk Register, followed up and implemented within the agreed timeframe.

For example, an identified risk may be that the organisation could breach Occupational Health and Safety Legislation by failing to have procedures in place to reduce the likelihood of accidents and injuries. The way to manage this risk would be to develop a policy, implement rules, procedures and processes, and train staff. The Risk Action Plan for this would document all the tasks that are required to be completed to achieve this, along with the person responsible and the due date.

Organisational Risks

The ChildFund Australia Risk Register identifies the risk, and outlines the action plan to be followed for all identified organisational-level risks.

At this point, the risk, risk rating and risk action plan should be entered onto the **Risk Register** (see Risk Register format below). A copy of the Risk Register should be forwarded to the Chief Operating Officer who holds responsibility for coordinating risk management at ChildFund Australia. The Risk Register should also continue to be used by the relevant departments/country Director and team as an ongoing management tool.

Project-specific Risks

Project-related risks will be identified and assessed in the risk management section of the project proposal template. Details of the risk management strategy for these project-specific risks should also be detailed in the table. The risk management strategies should also be revisited regularly, and evidenced during regular reporting (including in risk sections of quarterly reports and in formal project monitoring and evaluation).

Step 7 – Risk Review Reporting and Approval

Organisational risks shall be reviewed and a Risk Review Report prepared by the Chief Operating Officer periodically as directed by the Audit and Risk Committee. The report shall be discussed by senior management and mitigation action plans agreed.

The top ten risks identified as extreme or high at each location shall be included in the Risk Review Report, reviewed by the CEO, tabled at a meeting of the Audit and Risk Committee of the Board for approval and circulated to the full Board. Other extreme or high risks and risk mitigation action plans shall be reviewed and approved by the CEO. Moderate and low risks, and risk mitigation action plans (if any) shall be signed off by the Executive Team/Country Directors.

Step 8 – Monitoring and Review

It is important to understand that reviewing a risk and taking action under a Risk Mitigation Action Plan or in project development does not mean that the organisation can thereafter ignore the risk. Situations, contexts and circumstances change and therefore risks change all the time. Therefore risks need to be assessed regularly and particularly when changes occur. Risk management is an on-going process.

The Risk Register including Action Plans is reviewed and updated by ChildFund Australia departmental/Country Directors (in relation to their area of responsibility) regularly.

Major Risk Categories

- Governance
- Legislative/Regulatory Environment
- Reputation and Image
- Country Operating Environment
- Financial
- Management Systems and Controls
- People and OH&S
- Child Safeguarding
- Key Relationships and Partnerships
- Prohibited Dealings¹, including Terrorism
- Natural disasters and conflict
- Climate change and slow on-set disasters

Risk Register format

Description of Event	Describe Consequences of event occurring		
Risk Category	Consequence Rating	Likelihood Rating	Risk Rating
Risk management strategy			
Action taken since last review			
Action plan to further reduce risk			
Agreed action	By whom	By when	
1.			
2			

¹ As defined in the DFAT Agreement and covers a range of individuals, persons, entities and organisations that are included in the proscribed list issued by the Australian Government.

APPENDIX A

Guidance for determining consequences

These examples are only meant to be used as general guidance. Impact needs to be assessed taking to account taking into account factors that are relevant to the situation. This is best achieved by discussions among departmental/Country Directors, managers and other staff who are involved in the relevant activity(s).

	Governance	Legislative/ Regulatory Environment	Reputation and Image	Country Operating Environment	Financial	Management Systems and Controls	People and OH&S	Child Safeguarding	Key Relationships and Partnerships	Prohibited Dealings	Natural events conflicts
Severe	Failure to comply with Corporations Act and other legislation and breach of fiduciary responsibilities exposing the Board Directors and departmental/country Directors to potential legal action.	Huge fine; suspension of business pending investigation; prosecution and possible jail term, highly damaging to reputation with likelihood of organizational closure	Huge damage to reputation due to international or national level scandal/failure leading to major loss of beneficiaries, partners, sponsors/donors and government support. Likely closure of the organisation	Having to cease operations and exit country, including loss of operating permit	A huge financial loss or other issue that threatens ChildFund Australia's continued existence	Huge disruption to activities that threatens the continuing viability of the organization, due to widespread and lasting breakdown in technology, equipment, databases or other systems failure Complete lack of management and/or failure to achieve order and control requiring drastic action to rectify problems	Departure of a large number of staff or inability to recruit staff such that the organization cannot continue to function. Staff fatality; widespread outbreak of disease; other major environmental threat makes staff safety too dangerous to continue to operate	Serious sustained or complex effects on individuals involved, including death, injury or prosecution.	A fundamental disagreement or clash of personalities that is very likely to lead to a breakdown in the relationship that will require intervention at CEO or Board level and the relationship is of great importance.	A breach that could threaten ChildFund's continued existence and potential prosecution of directors and management	Disaster or natural event that results in Sydney or country office incapacitated and not able to function (e.g. a fire) Safety and security of ChildFund staff and project beneficiaries and/or organisational reputation will be seriously compromised during project period

	Governance	Legislative/ Regulatory Environment	Reputation and Image	Country Operating Environment	Financial	Management Systems and Controls	People and OH&S	Child Safeguarding	Key Relationships and Partnerships	Prohibited Dealings	Natural events conflicts
Major	Failure to comply with the Corporations Act and other legislation that exposes the organization to legal action. Serious shortcoming in board approved policies. Non-disclosure of conflict of interest. Serious flaws in selection and appointment of Board Directors.	Loss of accreditation, tax deductibility or other necessary authority; major fine; authorities demand inspection, detrimental to reputation	Highly visible incident, scandal or failure with substantial damage to reputation that impacts on the confidence and support of beneficiaries, partners, sponsors and/or donors. Resultant loss of income takes many months to restore	Forced to withdraw from a province/district or having to undertake major damage control to continue in a province/district, work permits of key staff cancelled/not renewed. Viability threatened due to foreign exchange rate changes and cost increases. Serious civil/political unrest.	Major financial loss or issue that impacts on a large part of ChildFund Australia's operation and includes loss of staff and cut back in program operation	Substantial disruption to activities lasting a week or more due to breakdown in technology, equipment, databases or other systems failure. Serious management error or control failure that requires substantial attention to rectify and could require changes in policy and practice	Significant loss of staff; major staff conflict/loss of morale such that part of the organization cannot function. Disabling staff accident; outbreak of disease; other environmental threat impacts on staff safety resulting in reduced operation	Serious complex impact on individuals or ChildFund, including injury or prosecution and requiring significant support.	A major disagreement or clash of personalities that could lead to a breakdown in the relationship unless action is taken without delay and the relationship is of great importance.	A breach that would have serious implications including reputational damage and loss of funding from government and the public	Disaster or natural event that results in ChildFund Australia Country Office incapacitated, large Oz Sponsorship base in a ChildFund Australia International program area (e.g. Kenya) destroyed, major relief effort Safety and security of ChildFund staff and project beneficiaries and/or organisational reputation will be at risk during project period

	Governance	Legislative/ Regulatory Environment	Reputation and Image	Country Operating Environment	Financial	Management Systems and Controls	People and OH&S	Child Safeguarding	Key Relationships and Partnerships	Prohibited Dealings	Natural events conflicts
Moderate	Board committee structure not working. Inadequate attendance at Board & committee meetings. Board vacancies unfilled for long time.	Moderate fine; outside assistance offered; will affect reputation	Significant incident, issue or failure that results in loss of some beneficiaries, partners, sponsors or donors. Some loss of income	Forced to temporary scale back or withdraw from a program area, Forced to scale back due to financial viability issues, Frequent security issues.	A serious financial loss or issue that reduces organizational capacity	Significant disruption to activities that lasts several days due to serious breakdown in technology, equipment, databases or other systems failure. Significant management error or control failure that requires dedicated time and action plan to address	Staff loss interrupts team functioning; reduced staff performance requiring action. Serious staff accident; threat of disease; other factors emerge that require active consideration in order to ensure staff safety	Risk represents direct impact on individuals or ChildFund, but does not involve injury or prosecution	Significant disagreement or conflict in the relationship due to the substance of the issue or clash of personalities	A breach that is detected and rectified and the actions taken are accepted by DFAT without serious repercussions	Disaster or natural event that results in negative operational & income impact on ChildFund or specific project
Minor	Minor governance shortcomings in the operation of the Board and committees.	Small fine; second warning, could slightly impact reputation	Minor incident or issue that has impact on a very small number of beneficiaries partners, sponsors or donors	Minor disagreement with communities, higher than expected costs, occasional local security issues.	A small financial loss or issue that can be absorbed without significant loss of organizational capacity	Disruption to activities that lasts one or two days due to breakdown in technology, equipment, databases or other systems. Can be resolved reasonably quickly. Management error or control failure that requires restorative action	Loss of one or two staff or other staff concern requiring attention Minor staff accident or illness resulting in minimal absence from work	Represents poor judgement (such as breach of CoC or policy) but impact does not extend beyond discomfort or minor program disruption.	Impact on relationships is minimal or the relationship is not important	A minor breach that is detected early and action can be taken internally to rectify	Disaster or natural event that results in minimal negative operational & income impact on ChildFund or specific project

	Governance	Legislative/ Regulatory Environment	Reputation and Image	Country Operating Environment	Financial	Management Systems and Controls	People and OH&S	Child Safeguarding	Key Relationships and Partnerships	Prohibited Dealings	Natural events conflicts
Insignificant	Minor procedural shortcomings in the operation of the Board and committees.	No impact; warning; will not affect reputation	Small incident that involves no loss of support from beneficiaries, partners, sponsors or donors and is quickly dealt with	Challenges in the country that has very little or no direct impact	Insignificant financial loss or trivial issue that can be resolved quickly	Brief interruption to activities; small & localized breakdown in technology, equipment, databases or other systems.	Staff concerns requiring very minor change to workforce practices Health and safety issues requiring very minor change to be addressed	Minor procedural breach that will have minor or indirect consequences for individuals or programs.	Issues/incidents that have little or no impact on relationships	Minor procedural breach that will not have any consequences	Disaster has limited impact on communities in general, no impact on ChildFund Australia, projects or community and ChildFund Australia is not in a position to respond