

RISK MANAGEMENT POLICY

INTRODUCTION

Bali Children Foundation endeavours to minimise the risk any particular operation poses to our organisation, our staff, our volunteers, our clients, or the general public.

Risk Management is the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects of BCF activities.

Risk is inherent in all administrative and business activities. All BCF workers must continuously manage risk.

BCF acknowledges that the adoption of a strategic and formal approach to risk management will improve decision-making, enhance outcomes and accountability.

SCOPE

The policy is to apply to all BCF activities, both at BCF sites and when operating on external premises. Routine activities are excluded from this policy unless mandated by other policies. Examples of significant activities include:

- Child safety;
- Contracting (whether for goods, services or research);
- Consulting through the regional education departments and their schools;
- Program delivery within communities and potential associated fraud;
- Capital procurement;
- Outsourcing, partnering or shared service arrangements of functions;
- Community events sponsored by BCF;
- Undertaking BCF business in public places;
- Cooperative research agreements and arrangements with third parties;
- Major fundraising activities; and
- Staff, intern, volunteer and visitor travel and remote placements.

PURPOSE

The aim of this policy is to manage the risks involved in BCF activities, to maximise opportunities and minimise adversity. Effective risk management requires:

- A strategic focus,
- Forward thinking and active approaches to management,
- Balance between the cost of managing risk and the anticipated benefits, and
- Contingency planning in the event that critical threats are realised.

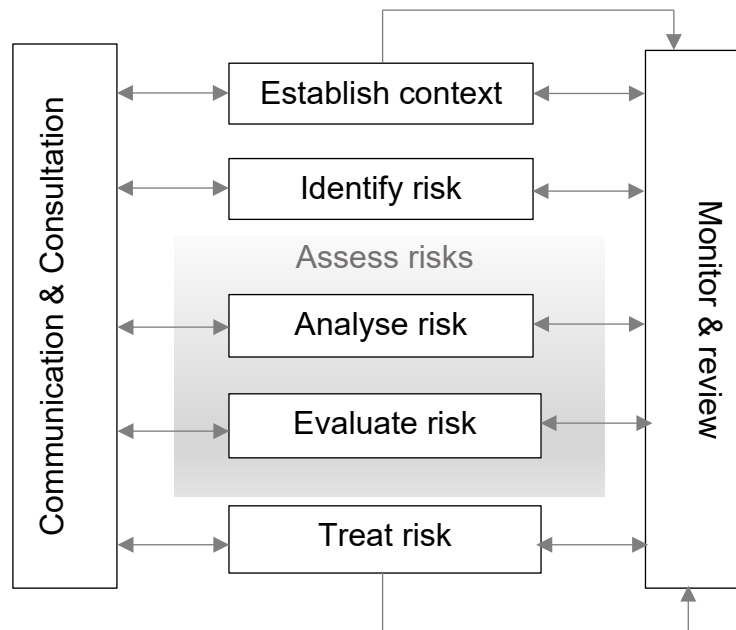
Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

POLICY STATEMENT

BCF will maintain procedures to provide the organisation with a systematic view of the risks faced in the course of our administrative and business activities. This will require BCF to:

- *Establish a context.* This is the strategic, organisational and risk management context against which the rest of the risk management process in BCF will take place. Criteria against which risk will be evaluated should be established and the structure of the risk analysis defined.
- *Identify Risks.* This is the identification of what, why and how events arise as the basis for further analysis.
- *Analyse Risks.* This is the determination of existing controls and the analysis of risks in terms of the consequence and likelihood in the context of those controls. The analysis should consider the range of potential consequences and how likely those consequences are to occur. Consequence and likelihood are combined to produce an estimated level of risk.
- *Evaluate Risks.* This is a comparison of estimated risk levels against pre-established criteria. This enables risks to be ranked and prioritised.
- *Treat Risks.* For higher priority risks, BCF is required to develop and implement specific risk management plans including funding considerations. Lower priority risks may be accepted and monitored.
- *Monitor and Review.* This is the oversight and review of the risk management system and any changes that might affect it. Monitoring and reviewing occurs concurrently throughout the risk management process.
- *Communicate and Consult.* Appropriate communication and consultation with internal and external stakeholders should occur at each stage of the risk management process as well as on the process as a whole.

The risk management process is illustrated in the following diagram:



RESPONSIBILITY FOR RISK MANAGEMENT

Board

The Board is accountable for ensuring that a risk management system is established, implemented and maintained in accordance with this policy. Assignment of responsibilities in relation to risk management is the prerogative of the Directors.

Collectively the Board is responsible for:

- The formal identification of strategic risks that impact upon BCF's mission; and
- Allocation of priorities.

The Board will review progress against agreed risk management plans.

CEO

The CEO is accountable to the Board for:

- Implementation of this policy;
- Annual reporting on the status of the risk register as part of the annual planning and review cycle;
- Ongoing maintenance of the risk register; and
- Ensuring compliance with risk assessment procedures.

The CEO is accountable for the oversight of the processes for the identification and assessment of the general risk spectrum, reviewing the outcomes of risk management processes, the development of risk management plans and for advising the board as necessary.

The CEO is accountable for management including the devolution of the risk management process to workers.

General

Every BCF worker is responsible for the effective management of risk including the identification of potential risks.

Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities.

There is legislation in place for the management of specific risks such as Occupational Health and Safety, Equal Opportunity and Research Ethics. The Risk Management policy does not relieve BCF's responsibility to comply with other legislation. Training and facilitation will, in the first instance, be the responsibility of the senior management.

KEY DEFINITIONS

The key definitions for this policy follow:

- **Risk** The chance of something happening that will have an impact on the achievement of BCF objectives. Risk is measured in terms of consequences and likelihood.
- **Risk Assessment** The overall process of risk analysis and evaluation. This is the shaded component of the schematic diagram on page 3 of this policy.

- **Risk Management** The culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects BCF operations.
- **Risk Management Process** The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.
- **Worker** means any member of staff, volunteer or contractor working on behalf of BCF.

RELATED DOCUMENTS

- Financial Risk and Fraud Policy
- Child Protection Policy and Procedures
- Use of Children’s Images Policy

Effective date	(insert date here)
Next review date	4 years after effective date above
Approval	BCF Board

DRAFT

GENERIC SOURCES OF RISK AND THEIR AREAS OF IMPACT

Identifying sources of risk and areas of impact provides a framework for risk identification and analysis. A generic list of sources and impacts will focus risk identification activities and contribute to more effective risk management.

Generic Sources of Risk

Each generic source has numerous components, any of which can give rise to a risk. Generic sources of risk include:

- Commercial, funding and legal relationships including but not limited to contractual risk, professional liability and public liability.
- Economic circumstances. These can include such sources as currency fluctuations, interest rate changes, taxation and changes in fiscal policy.
- Human Behaviour such as riots, strikes, sabotage.
- Natural Events. These can include fire, water damage, earthquakes, volcano activity, vermin, disease and contamination.
- Political Circumstances such as legislative changes or changes in government policy that may influence other sources of risk.
- Technology and Technical Issues. Examples of this include innovation, obsolescence and reliability.
- Management Activity and Control such as poor safety management, the absence of control and inadequate security.
- Individual Activity including, misappropriation of funds, fraud, vandalism, illegal entry, assault, child exploitation, information misappropriation and human error.

In most instances a risk source will be under the control of BCF Management. In some instances (and these are entirely circumstance driven) the risk may be spread outside BCF. If this is the case then the relevant parties should be consulted during the risk assessment process.

Areas of Impact

A source of risk may impact on one area only or on several areas. Areas of impact include:

- Asset and resource base including personnel,
- Revenue and entitlements,
- Costs both direct and indirect,
- People,
- The community,
- Performance,
- Timing and schedule of activities,
- The environment,
- Intangibles such as reputation, goodwill and the quality of life, and
- Organisational behaviour.

Risk Identification Template

The following is an example of a risk identification template.

Activity. _____

Areas of Impact

Assets	Revenue	Cost	People	Community	Performance	Timing	Environment	Intangibles	Organisational behaviour
Commercial and Legal	✓	✓	✓			✓	✓		
Economic			✓						
Human Behaviour			✓	✓		✓			✓
Natural Events								✓	
Political					✓		✓		
Technology	✓		✓			✓			
Management Activity & Control			✓	✓			✓		
Individual Activity			✓	✓					✓

ANNEX B TO RISK MANAGEMENT POLICY

RISK DEFINITION AND CLASSIFICATION

Where possible, BCF should use quantitative data and risk expressions to measure likelihood and impact of any identified risks. In some circumstances this may not be possible nor efficient or effective. Therefore a qualitative approach is acceptable.

An example of a qualitative approach follows.

Likelihood

Level	Descriptor	Description
A	Almost certain	Is expected to occur in most circumstances
B	Likely	Will probably occur in most circumstances
C	Possible	Might occur at some time
D	Unlikely	Could occur at some time
E	Rare	May occur only in exceptional circumstances

Impact

Level	Descriptor	Example Description
1	Insignificant	Low financial loss, no disruption to capability, no impact on community standing, no human impact.
2	Minor	Medium financial loss, minor disruption to capability, minor impact on community standing, temporary low level human impact.
3	Moderate	High financial loss, some ongoing disruption to capability, modest impact on community standing, permanent low level human impact.
4	Major	Major financial loss, some ongoing disruption to capability, modest impact on community standing, lasting human impact / trauma / loss of life.
5	Catastrophic	Mission critical financial loss, permanent disruption to capability, loss of lives, ruinous impact on community standing

Qualitative Risk Analysis Matrix – Level of Risk

For each component of the activity subject to a risk analysis, BCF should evaluate the likelihood and consequences as per the matrix below.

CONSEQUENCES					
	Almost Certain	Likely	Possible	Unlikely	Rare
Insignificant					
Minor					
Moderate					
Major					
Catastrophic					

Legend

- E: Extreme risk; Immediate action required.
- H: High risk; Senior Management attention needed.
- M. Moderate risk; Management/coordinators responsibility must be specified.
- L. Low risk; Manage by routine procedures.

RISK TREATMENT OPTIONS

Actions to Reduce or Control Likelihood

These can include but are not limited to:

- Review and compliance programmes;
- Contract conditions;
- Formal reviews of requirements, specifications, design, engineering and operations;
- Inspection and process controls;
- Investment and portfolio management;
- Project management;
- Preventative maintenance;
- Quality assurance, management and standards;
- Research and development; technological development;
- Structured training and other programmes;
- Effective governance processes
- Strategic, operational and tactical planning processes.
- Supervision;
- Testing;
- Organisational arrangements; and
- Technical controls.

Procedures to Reduce or Control Consequences

These can include but are not limited to:

- Contingency planning;
- Contractual arrangements;
- Contract conditions;
- Design features;
- Business continuity and disaster recovery plans;
- Fraud control planning;
- Minimising exposure to sources of risk;
- Portfolio planning;
- Policy and procedure controls;
- Education and training programs;
- Separation or relocation of activities and resources;
- Succession planning;
- Insurance;
- Public Relations; and
- Ex Gratia Payments.

ANNEX C TO RISK MANAGEMENT POLICY

RISK MANAGEMENT DOCUMENTATION

To manage risk properly, appropriate documentation is required.

The staff members conducting or accountable for the activity shall in the first instance conduct the risk assessment and complete the documentation. The risk assessment and documentation is to be reviewed and accepted by the manager or next in line supervisor of the area conducting or accountable for the activity. Where technical expertise or central authority is required, the risk assessment will also be reviewed and countersigned by that party.

The risk manager/coordinators are required to maintain risk registers insofar as risks impact on their respective responsibilities. Information from these registers is to be given to the risk manager/Director who will develop and maintain a Bali Children Foundation wide risk register. As a minimum, the risk register, treatment schedule and action plan will be maintained. Specimens of these documents follow and they will be made available in electronic format.

For each risk identified, a risk register records:

- Source;
- Nature;
- Existing controls;
- Consequences and likelihood;
- Initial risk rating; and
- Vulnerability to external or internal factors.

A risk treatment and action plan documents the managerial controls to be adopted and contains the following information:

- Who has responsibility for the implementation of the plan;
- What resources are to be used;
- Budget allocations;
- Implementation timetables;
- Details of the control mechanism; and
- Frequency of review of compliance with the treatment plan.

