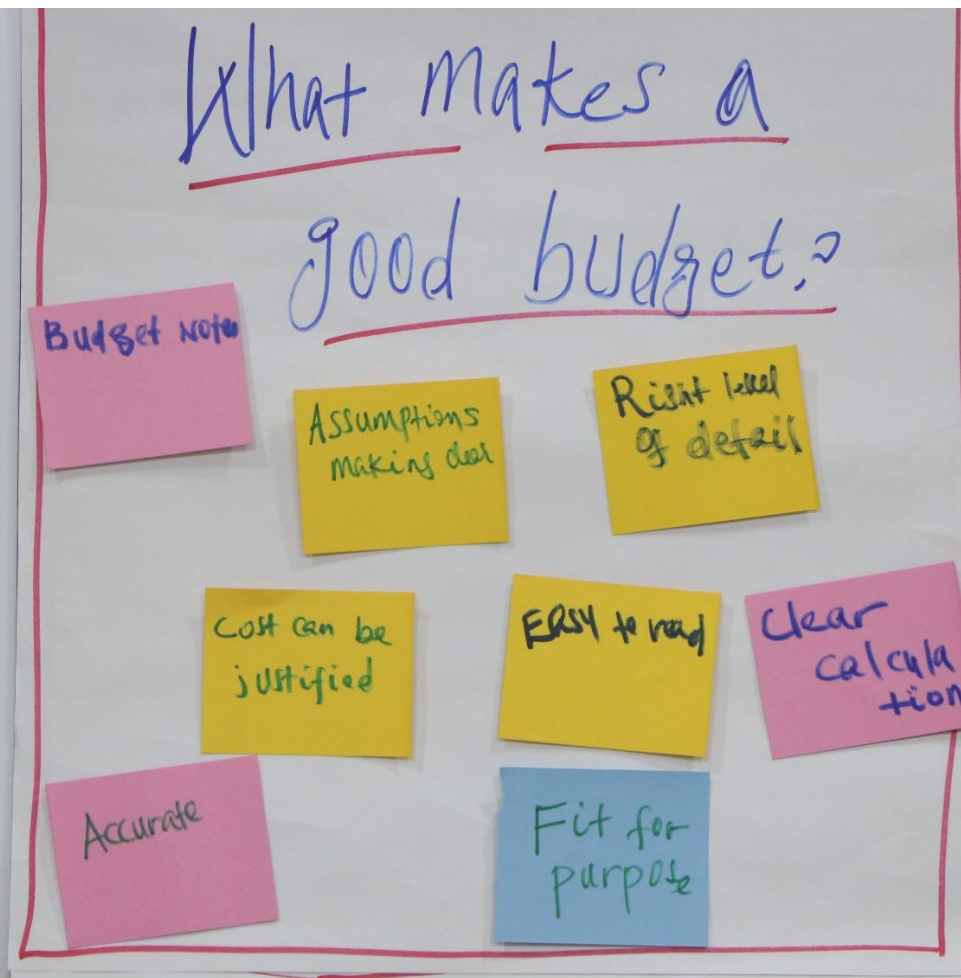# Risk Management Policy

STAR GHANA FOUNDATION

RISK MANAGEMENT POLICY

1. Purpose

The purpose of this policy is to set out STAR Ghana Foundation's approach to risk, to define the framework in which staff are expected to operate and to provide guidance on the procedures for:

- identifying risks
- assessing risks
- evaluating action to be taken on risks
- periodic monitoring and assessment of risks.

It also sets out the Risk Register, which will be updated half-yearly by the Executive Director and approved by the Governing Council (GC).

2. Policy

a- STAR Ghana Foundation will adopt best practice in the identification, evaluation and control of risk to ensure that risks are avoided, mitigated or accepted.

b- STAR Ghana Foundation will embed a full and effective consideration of risk in planning and managing both new and existing activities throughout the organisation.

c- SGF is not prepared to take risks which cannot be controlled or mitigated that may result in serious harm to staff, projects, its financial position or reputation.

3. Definitions

Risk
Risk is the uncertainty surrounding events and their outcomes that may have a significant effect, either enhancing or inhibiting:

- operational performance
- achievement of aims and objectives
- organisational reputation
- meeting the expectations of stakeholders.

Likelihood
Likelihood is the risk of harm occurring.
In the matrix below, Likelihood is rated on a scale of 1 to 5 as follows:

Remote	Unlikely	Possible	Likely	Highly

					likely

Impact

Impact is the effect on SGF if harm occurs.

In the matrix below, the impact is coded as follows:

Impact	Score
Catastrophic	5
Major	4
Moderate	3
Minor	2
Insignificant	1

Red: Catastrophic   **Yellow:** Moderate   **Green**: Minor   **Blue:** Insignificant

Risk owners

Risk owners are the individuals identified as having responsibility for the management, control, monitoring and review of risks in the risk register.

4. Objectives

The risk management objectives of STAR Ghana Foundation are to:
- improve decision-making by integrating an awareness of effective risk management in the culture of the Foundation
- embed risk management within strategic and operational management planning processes
- make the most of opportunities and develop them with the confidence that risks will be managed
- be aware of, anticipate and respond to the changing economic, political, social and legislative climate
- raise awareness of the need for active risk management.

These objectives are achieved by:
- developing and maintaining a risk register which details all significant risks which pose a threat to the Foundation
- assessing both the likelihood of those risks occurring and the likely impact
- taking positive action to manage risks
- monitoring and reviewing the risk register on a regular basis
- actively considering risk when planning new activities.

5. Risk strategies

As part of SGF's approach to risk management, the strategies to be adopted to manage an identified risk are to tolerate, transfer, treat or terminate it:
- **tolerating** means that the risk is known to and accepted by SGF as one that cannot be avoided if the activity is to continue
- **transferring** means that the risk is passed to a third party, for example an outsourcer who will manage it (this does not eliminate the risk but can mitigate it)
- **treating** means that SGF aims to reduce the likelihood of the risk materialising or to reduce the impact of the risk by the introduction of relevant controls

- **terminating** means avoiding the activity giving rise to the risk.

6. Roles and responsibilities

Responsibilities for risk management are as follows:

Governing Council
- defining and approving the maximum level of acceptable risk (the risk appetite)
- ensuring that controls and procedures are in place and maintained to manage risk

Finance and Audit Committee
- monitoring the assessment of risks to which SGF is exposed
- ensuring that management is implementing controls to mitigate these risks
- ensuring that the management of risks is kept up to date

Executive Director
- overall responsibility for day to day operational risk management

Senior Management Team (SMT)
- implementing the risk management policy and assigning risk owners
- identifying, managing and reviewing risks on a regular basis, at least every six months
- developing and maintaining the risk register
- encouraging good risk management within their areas of operation
- ensuring that action plans are in place and implemented and that controls are operating effectively to mitigate the risks identified in the risk management process
- reporting to the Governing Council at least every six months on progress against planned actions to address the risks

Risk owners
- ensuring that suitable controls are in place, recorded in the risk register and operating effectively to mitigate identified risks
- monitoring risks on an ongoing basis

All staff
- understanding the nature of risk
- identifying new risks
- actively managing the risks in their areas of operation.

7. Identifying risks

Risks most relevant to SGF should be identified through consultations between key managers and staff who have a detailed knowledge of the way in which SGF operates. Workshops can be used to gather information and generate ideas.

The following should be considered as part of this process:

- SGF's objectives, mission and strategy
- the nature and scale of activities
- the outcomes to be achieved
- external factors such as legislation and regulation

- SGF's reputation with major funders and supporters
- comparison with other NGOs working in the same sector and of a similar size.

8. Assessing risks

Risks identified should be analysed and categorised in terms of both their impact and the likelihood of their occurrence. This helps to prioritise them and establish what, if any, further action is required.

The risk appetite adopted by the Governing Council is shown in the risk matrix (or "heat map") below. It uses scores to categorise different levels of risk according to impact and likelihood of occurrence and should form the basis for assessing risk.

Risk matrix	Likelihood	Remote	Unlikely	Possible	Likely	Highly likely
Impact	Score	1	2	3	4	5
Catastrophic	5	10	15	20	25	30
Major	4	8	12	16	20	24
Moderate	3	6	9	12	15	18
Minor	2	4	6	8	10	12
Insignificant	1	2	3	4	5	6

- Activities highlighted in yellow, green or blue on the risk grid are considered acceptable.

- Activities considered marginal (highlighted in amber on the grid) can be undertaken only after detailed scrutiny and with the approval of the SMT.

- SGF will not undertake any activities which would have a major impact and are highly likely to occur after mitigation measures have been taken.

- SGF will not undertake any activities which would have a catastrophic impact on the organisation unless the likelihood of occurrence is considered to be remote after mitigation measures have been taken.

9. Evaluating action to be taken

Where major risks are identified, the SMT will need to ensure that appropriate action is taken to manage them. There should also be an assessment of how effective existing controls are.

A plan must then be drawn up to include steps to be taken to address or mitigate significant risks so that the gross level of risk is reduced to a net risk that is considered to be acceptable.

The results of this process must be recorded in a risk register.

10. Risk register

The risk register should include the following:

- key risks
- risk category
- the current risk rating (gross risk) based on impact and likelihood
- controls being implemented to bring the level of risk from the current level to the desired level (net risk)
- risk owner
- completion date for mitigation action.

11. Periodic monitoring and assessment

The risk management process must ensure that:

- new risks are reported and evaluated
- risk aspects of significant new projects are considered as part of project appraisals
- any significant failures of control systems are reported and actioned
- learning is captured and documented to ensure that successes and failures inform future risk management
- there is an adequate level of understanding of individual responsibilities for both implementation and monitoring of control systems
- any further actions required are identified
- the SMT reviews the risk register at least every six months to ensure that risks identified are being managed effectively
- the Governing Council is provided with progress reports at least every six months.

12. Training and awareness

Training on this policy should form part of the induction process for all new employees. All existing employees will receive regular, relevant training on how to implement and adhere to the policy.

The objectives of the training are to:

- provide staff with an understanding of SGF's approach to risk and of their responsibilities
- develop skills for identifying, assessing and managing risk.

13. Policy review

This policy will be reviewed every two years.