

## TABLE OF CONTENTS

01	Policy statement
02	Who is responsible for the policy
02	Responsibilities and mechanisms
04	Risk management framework
07	Annexes

# RISK MANAGEMENT POLICY

## 1 POLICY STATEMENT

1.1 It is the policy of TRAFFIC to monitor and control the risks that the network faces. Managing these risks helps TRAFFIC meet its objectives more successfully. It helps protect donor funds, staff and the organisations reputation. these risks helps TRAFFIC meet its objectives more successfully. It helps protect donor funds, staff and the organisations reputation.

1.2 By law, the UK Charity Commission<sup>1</sup> requires the trustees to report on the major risks to which TRAFFIC is exposed.

1.3 The financial reporting standard, under which the UK Charity operates, requires that the Trustees report explains:

- a) the financial effect of significant events;
- b) a description of the principal risks and uncertainties facing the charity and its subsidiary undertakings, as identified by the charity trustees, together with a summary of their plans and strategies for managing those risks; and
- c) any factors that are likely to affect the financial performance or position going forward.

1.4 The purpose of this document is to:

- a) set out our responsibilities, and the responsibilities of those working for us;
- b) provide information and guidance to those working for us on how to monitor and control

## **2 WHO IS RESPONSIBLE FOR THE POLICY**

- 2.1 The UK Charity Board of Trustees has overall responsibility for ensuring this policy complies with our legal and ethical obligations, and that all those under our control comply with it.
- 2.2 The organisation's Senior Director – Operations has primary and day-to-day responsibility for implementing this policy, and for monitoring its use and effectiveness and dealing with any queries on its interpretation.
- 2.3 Heads of offices are responsible for overseeing the implementation of this policy throughout their office and should appoint a Risk Champion to raise awareness and understanding in the office. They must also ensure adequate and relevant training on it is given.
- 2.4 Management at all levels are responsible for ensuring that those reporting to them are made aware of and understand this policy and that they are given adequate and relevant training on it.
- 2.5 All TRAFFIC staff should understand the importance of risk management and how they can support TRAFFIC's risk management efforts.

## **3 DETAILED RESPONSIBILITIES AND MECHANISMS FOR RISK MANAGEMENT**

- 3.1 The responsibilities described below are specific to risk and are in addition to the terms of reference for the parties. Please refer to the terms of reference for detailed responsibilities.
  - a) The UK Charity Board of Trustees:
    - I. Determine the appropriate risk appetite or level of exposure.
    - II. Approve the approach to risk management taking into account recommendations from the Finance Sub-Committee.
    - III. Approve the Risk Management section of the Trustees report.
    - IV. Review risks on an annual basis.
  - b) The Finance Sub-Committee (FSC):
    - I. Annually review TRAFFIC's approach to risk management and approve changes or improvements to key elements of its processes and procedures.
    - II. Review the risk register on a six monthly basis.

- III. Report to The UK Charity Board of Trustees any issues they should be aware of.
- c) The Senior Leadership Team (SLT):
- I. Set the tone and influence the culture of risk management within the organisation.
  - II. Communicate TRAFFIC's approach to risk across the organisation.
  - III. Set the standards and expectations of staff with respect to conduct.
  - IV. Ensure that Offices are completing their risk register on a regular (at least six monthly) basis.
  - V. Monitor all medium-rated risks on a six monthly basis to ensure appropriate actions are being taken.
  - VI. Monitor all high-rated risks on a at least monthly basis to ensure appropriate actions are being taken.
  - VII. Report all medium- and high-rated risks and the relevant action being taken to the FSC on a six monthly basis.
- d) TRAFFIC unit leaders and teams:
- I. Should be aware of risks which fall into their area of responsibility and the possible impacts and consequences these may have.
  - II. Should consider their unit's performance indicators which monitor key activities, progress towards objectives and identify areas which require intervention.
  - III. Should ensure that all risks are reported for inclusion on the office's risk register on a timely basis.
  - IV. Should report any new medium or high risks identified or failures of existing control measures to senior managers in a timely basis.
- e) Individual staff members:
- I. Should understand their accountability for individual risks.
  - II. Should understand how they can contribute to continuous improvement of TRAFFIC's risk management framework.
  - III. Should understand that risk management and risk awareness are a key part of the organisation's culture.
  - IV. Should report any new risks identified or failures of existing control measures to managers.

# TRAFFIC'S RISK MANAGEMENT FRAMEWORK

## 1 IN PRACTICE

- 1.1 Risk management takes place at all levels and in all areas of TRAFFIC, using the same methodology and reporting through the use of Risk Registers. These should be the same at each level. Risks at an office level with a high residual risk will be added to the Master Risk Register. Risk management takes place at all levels and in all areas of TRAFFIC, using the same methodology and reporting through the use of Risk Registers. These should be the same at each level. Risks at an office level with a high residual risk will be added to the Master Risk Register.

## 2 RISK METHODOLOGY

- 2.1 Risk Area - Risk is grouped according to the guidance note issued by the UK Charity Commission see Appendix I.
- 2.2 Term - The period in which the risk may occur:
  - a) Short – up to 2 years;
  - b) Medium- between 2 and 5 years;
  - c) Long - lasting more than 5 years;
  - d) Enduring – those likely to last indefinitely are expressed as long term.
- 2.3 Impact and likelihood - TRAFFIC uses the standard five-level scale as recommended by the UK Charity Commission. See Appendix II.
- 2.4 Initial risk rating - The Initial Risk Rating:

*Where X= Likelihood and Y = impact then the formula  $XY+Y$  is used to calculate the initial risk rating.*
- 2.5 Controls - These actions are intended to manage risk by reducing its impact, its likelihood of occurrence, or both. The register must contain a description of the controls and early warning mechanisms that have been identified and the level of reliance on them must be rated. See Appendix III.
- 2.6 The post-controls risk rating - This is calculated using the standard five-level scale but reassessing the risk taking into consideration the effect of the controls on the impact and likelihood. See Appendix II.
- 2.7 Further action - These can be considered as controls that have yet to be implemented. Any rating above 7 must have a description of further controls to be implemented and a timeframe.
- 2.8 Owner and Lead Officer - In each area there is an owner and a lead officer; this can be one and the same person. The owner has the overall responsibility for the management and

reporting of risk in their area. The lead officer has operational responsibility for the risk, ensuring that mitigating actions (controls) are in place and operating effectively.

2.9 Direction of travel - This gives a visual indication of progress since the previous register review.

### 3 MONITORING AND EVALUATION

3.1 Team leaders/Section heads must prepare/review a risk register for their area on a bi-annual basis and submit this to the Senior Director – Operations. As directed by the SDO regular updates will be required on risks with a residual score greater than 7.

POST CONTROL RISK SCORE		LEVEL/FREQUENCY OF REVIEW
0-6	Low risk	Line Manager bi-annually
7-12;	Medium risk	Senior Leadership Team biannually;
13-30	High risk	Executive Director/SDO review constantly and monitor with SLT monthly

### 4 RISK METHODOLOGY

- 4.1 All offices in the Risk Network must submit a bi-annual risk report to the Senior Director – Operations in February of each year. Any risks with a residual score greater than 7 that would impact on TRAFFIC will be added to the ‘Master’ Risk Register.
- 4.2 The bi-annual risk report should contain the risk register and a progress report outlining changes to the risk profile since the last report and steps being taken to reduce the residual risk.
- 4.3 A bi-annual network wide summary report is submitted to the Trustees detailing all risks with a residual score of greater than 13, how these risks are currently being managed, and future strategies.
- 4.4 All programmes presented for approval to the Trustees must contain a summary of the key risks associated with the proposed programme and how these risks will be mitigated.
- 4.5 The audited annual report contains a risk management statement. This outlines the major risks TRAFFIC faces and that the Trustees are satisfied that systems are in place to manage those risks. Term - The period

### 5 RISK APPETITE

- 5.1 Risk appetite is defined as the level of risk that an institution is prepared to tolerate. At TRAFFIC, no risk with a residual risk score of 13 or greater is tolerated without:
  - a) Confirmation from the risk owner that the objective to which the risk relates is of high strategic importance for example a short term opportunity opens up to work with a potential

new long-term donor or be involved in activities with a key government agency that had not been anticipated.

- b) A statement from the risk owner that there are no further mitigating actions that can be taken to lower the risk score.

5.2 In no case will this be tolerated beyond the short term.

## APPENDIX I :RISK AREAS

RISK CATEGORY EXAMPLES	EXAMPLES
<b>Governance Risks</b>	<ul style="list-style-type: none"> <li>▪ Inappropriate organisational structure</li> <li>▪ Loss of key staff</li> <li>▪ Conflicts of interest</li> </ul>
<b>Operational Risks</b>	<ul style="list-style-type: none"> <li>▪ Poor contract pricing (budgeting)</li> <li>▪ Contract risk</li> <li>▪ Project development pipeline</li> <li>▪ Capacity and use of resources</li> <li>▪ Poor staff recruitment and training</li> <li>▪ High staff turnover</li> <li>▪ Doubt about security of assets</li> </ul>
<b>Financial Risks</b>	<ul style="list-style-type: none"> <li>▪ Inaccurate and/or insufficient financial information</li> <li>▪ Foreign exchange risks</li> <li>▪ Inadequate reserves and cash flow</li> <li>▪ Dependency on limited income sources</li> <li>▪ Insufficient insurance cover</li> </ul>
<b>External Risks</b>	<ul style="list-style-type: none"> <li>▪ Poor public perception and reputation</li> <li>▪ Relationship with donors</li> <li>▪ Demographic changes</li> <li>▪ Turbulent economic or political environment</li> <li>▪ Changing government policy</li> </ul>
<b>Compliance with Law and Regulation</b>	<ul style="list-style-type: none"> <li>▪ Poor knowledge of the legal responsibilities of an employer</li> <li>▪ Poor knowledge of regulatory requirements of particular activities (e.g. fundraising, operating vehicles)</li> </ul>

## APPENDIX II : IMPACT AND LIKELIHOOD

DESCRIPTOR	EXAMPLES	
<b>Insignificant</b>	1	<ul style="list-style-type: none"> <li>▪ No impact on the organisation's strategy or operational activities</li> <li>▪ No impact on reputation</li> <li>▪ Complaint unlikely/no stakeholder concern</li> <li>▪ Litigation risk remote</li> <li>▪ No financial impact</li> </ul>
<b>Minor</b>	2	<ul style="list-style-type: none"> <li>▪ Slight impact on the organisation's strategy or operational activities</li> <li>▪ Slight impact on reputation</li> <li>▪ Complaint possible/low stakeholder concern</li> <li>▪ Litigation possible</li> <li>▪ Financial impact less than £y</li> </ul>
<b>Moderate</b>	3	<ul style="list-style-type: none"> <li>▪ Moderate impact on the organisation's strategy or operational activities.</li> <li>▪ Potential for adverse publicity – avoidable with careful handling</li> <li>▪ Complaint probable/Moderate stakeholder concern</li> <li>▪ Litigation probable</li> <li>▪ Financial impact likely to be between £x and £y</li> </ul>
<b>Major</b>	4	<ul style="list-style-type: none"> <li>▪ Significant impact on the organisation's strategy and operational activities disrupted.</li> <li>▪ Adverse publicity not avoidable (local media)</li> <li>▪ Complaint probable/Significant stakeholder concern</li> <li>▪ Litigation probable</li> <li>▪ Financial impact likely to be between £x and £y</li> </ul>
<b>Extreme/Catastrophic</b>	5	<ul style="list-style-type: none"> <li>▪ Organisation's strategy under threat.</li> <li>▪ Operational activities interrupted for significant time.</li> <li>▪ Major adverse publicity not avoidable (International media)</li> <li>▪ Loss of stakeholder confidence/major litigation expected</li> <li>▪ Financial impact in excess of £x</li> <li>▪ Resignation of senior management.</li> </ul>



## LIKELIHOOD

DESCRIPTOR	EXAMPLES	DESCRIPTOR	INDICATOR
Remote	1	Not likely in 10 year period <2% chance of occurrence	Has not occurred, Unlikely to occur
Unlikely	2	Likely to occur in 10 year period >10%	Expected to occur in Exceptional circumstances
Possible	3	Likely to occur in 10 year period between 10-25%	Could occur more than once within time period. Could be difficult to control due to some external factors. History of Occurrence?
Probable	4	Likely to occur each year or more than 25% chance of occurrence but less than 50%	Expected to occur in many circumstances. Has occurred recently
Highly probable	5	Likely to occur at least once a year or more than 50% chance of an occurrence.	Expected to occur frequently and in most circumstances.

## APPENDIX II

### Controls

#### *Definition of controls*

Controls are those actions which are taken to lower the impact of the risk or reduce the likelihood of the risk materialising or both of these. These are often referred to as the 4 T's – Treat, Tolerate, Terminate or Transfer (e.g. insurance).

#### *Controls in Place*

Indicates the extent to which controls have been implemented:

A – Implemented and operating effectively

B – Identified and being implemented

C - Not yet identified, incomplete or not operating effectively

#### *Use of Controls*

Ground truths the reliance on controls based on the size of the difference between initial and residual risk scores:

L < 50% Reliance on controls is not excessive

M >= 50% Controls should be checked to ensure they are realistic and in place

H >= 66% Controls should be reviewed urgently to ensure they are realistic and functioning properly.

#### **Examples of Controls within TRAFFIC**

In addition to its risk register, other tools which TINT uses to identify, monitor and mitigate risks on a regular basis include the following:

## **Governance**

- Strategic Plan to 2020
- Four-year global conservation programme
- Global and regional development plans
- Funding development strategy
- Annual meetings organized for senior TRAFFIC managers include reviews and training on key risk management issues.

## **Operational**

- Guidelines for the Operation of the TRAFFIC Network
- Financial Policies and Procedures Manual
- Proposal review process and project steering group structures
- Guidelines for field work
- Staff induction pack
- Staff policies including the Code of Professional Conduct, anti-fraud and anti-bribery policies
- Project Steering Groups are established for all major projects and report progress to the SLT.
- Ad hoc groups are set up where necessary, e.g. to review new types of contracts or to identify methods of dealing with new legislation.

## **Financial**

- Financial Policies and Procedures Manual
- Funding development strategy
- Project expenditure versus budgets being reviewed on a monthly basis and meetings held to review the progress of the projects, both current and future, and to identify any potential future issues that may arise.
- Core accounts are compared to budgets and reforecast on a quarterly basis and reviewed by the SLT and FSC.
- Regular meetings are held with various professional advisors including the Charity's bankers, accountants, auditor, insurance and pension brokers.

## **External**

- Branding and communications policies including the publications final clearance process
- Protocols for handling sensitive data.

## **Compliance**

- Protocols for handling sensitive data

- Staff induction pack
- External review and audits
- Staff policies including the Code of Professional Conduct, anti-fraud and anti-bribery policies
- Ad hoc groups are set up where necessary, e.g. to review new types of contracts or to identify methods of dealing with new legislation.
- Regular meetings are held with various professional advisors including the Charity's bankers, accountants, auditor, insurance and pension brokers.
- Relevant staff in finance, project administration, and HR attend external training seminars as part of their professional development.