

Risk Management Framework

INTRODUCTION

The implementation of an effective risk management framework is a key part of ensuring that ACIC is able to effectively achieve its mission. Risk can be defined as the chance that an event, trend or course of action will have either a positive or negative effect on ACIC's ability to meet its strategic or operational objectives. It is recognized that there are risks associated with all activities, and that risks can arise both from actions not taken, as well as through ongoing and new initiatives.

Because of ACIC's commitment to work to foster global citizenship and a just world, the organization is exposed to various types of risks arising from its activities. For this reason, ACIC must determine on an on-going basis its capacity to tolerate or absorb risk. It is an important aspect of good governance for the Board of Directors to understand ACIC's overall risk profile in order to make informed decisions as to the levels of risk it is willing to accept. This should be accomplished through the involvement of the Board, management and staff in the assessment and evaluation of risk in all areas of the organization.

Risk management is the ongoing process of identifying, assessing, and managing risks as well as regular monitoring and review. Multiple inter-related tools are needed throughout this process and are included for reference as appendices.

POLICY STATEMENT

Risk management is an organization-wide responsibility that calls for the active involvement of the Board of Directors, management, staff, members and other stakeholders. This includes being aware of risks and involved in management of consequences for which the parties are responsible. Risks are managed by ensuring ACIC's policies and procedures are documented, communicated, and kept up to date and strategies are in place to protect the mission, people, funds, information, relationships and reputation of the organization.

PURPOSE

The purpose of this framework is to ensure that risks to ACIC are identified, assessed, and managed so that they are maintained at acceptable levels. The framework outlines ACIC's approach to risk management by establishing responsibility for risk identification and analysis, planning for risk mitigation, and program management and oversight.

Having an established process and a clear risk management framework helps provide reasonable, but not absolute, assurance that:

- the identification, assessment and management of risk is linked to the achievement of ACIC's objectives

- multiple areas of risk are covered - for example, legal, governance, financial, operational and external
- a risk exposure profile can be created that reflects the Board's views as to what levels of risk are acceptable
- the principal results of risk identification, assessment and management are reviewed and considered
- risk management is ongoing and embedded in management and operational procedures

KEY PRINCIPLES

The Board of Directors, management and other staff must be able to manage risk proactively and take shared responsibility for risk management processes. It is also important to know where to apply available resources to mitigate risk in a cost-effective and efficient manner. Therefore, to be effective, risk management at ACIC should:

- facilitate, rather than encumber, the achievement of objectives;
- be integral to normal organizational processes and decision making;
- use simple language, straightforward concepts and encourage common sense thinking;
- be tailored and responsive to ACIC's external and internal context including its mandate, priorities, risk management capacity, and partner and stakeholder interests;
- be coordinated between the different responsible entities so as to avoid gaps and redundancies;
- be transparent and inclusive, allowing all levels of the organization to participate and stakeholders to be represented;
- be recognized as a dynamic and ongoing process; and
- be balanced, such that the net effect of each decision to manage risk on achieving outcomes must be positive, i.e. the benefits should outweigh the costs.

ROLES & RESPONSIBILITIES

Board of Directors

The ACIC Board of Directors, with the support of ACIC management and other staff, is responsible for assuring the implementation of this framework and for providing guidance on the interpretation of specific requirements. This responsibility includes taking reasonable steps to gain an understanding of the principal hazards and risks associated with the operations of ACIC, establishing broad guidelines on appropriate risk thresholds in consultation with ACIC management and staff, and ensuring that ACIC has and uses appropriate resources and processes to manage accepted risks. The Board should monitor the extent to which management has established effective risk management, and review on a regular basis ACIC's risk profile and consider it against the approved risk thresholds.

Management

It is the role of management to promote a risk aware culture, integrate risk management into overall management frameworks, ensure risks are systematically assessed and appropriate risk management actions are in place. This includes the evaluation of the organization's exposure to the identified categories of risk and the development and implementation of plans to manage that exposure. They should manage, and thereby reduce so far as is reasonably practicable, the risks to which staff, volunteers and program participants are exposed while participating in activities carried out by ACIC. Management alerts the Board in a timely manner on potential risks that they deem may exceed acceptable risk thresholds on both a regular and as-needed basis as well as provides updates to the Board. Furthermore, it is management's responsibility to ensure that all staff are aware of, and able to effectively carry out, all risk management procedures, in adherence to the risk management framework. Providing training for staff to recognize risks, raise concerns and seek advice to mitigate risks is essential.

Staff

Risk management is a responsibility of all staff in the organization. ACIC staff must be aware of and implement ACIC's risk management framework, and contribute to the establishment and implementation of risk management procedures for various functions and activities of ACIC. They are responsible for effectively managing risks in their areas of responsibility and identifying and advising their supervisor of potential risks.

Risk Management Committee

The risk management committee is appointed by and operates under the direction of the Board of Directors. Working closely with the ACIC Management, the role of the committee includes the following:

- Identifying for the Board principal organizational risks and ensuring that appropriate systems are in place to manage risk;
- Establishing a process for developing an integrated Risk Management Plan for ACIC;
- Serving in an advisory capacity when dealing with issues of risk to the organization;
- Reporting and making recommendations to the Board and the Annual General Meeting.

Partners

ACIC works closely with partners, including ACIC members, other Councils, funders and other stakeholders, and collaborates with them to help achieve its mission. This collaboration may include a role in risk management. Partners fulfil this role by providing critical information related to risk management for project and program activities with which they are affiliated, including recommendations on measures to mitigate risks. ACIC recognizes that this partner input is essential to the successful and efficient implementation of sound risk management.

COMMUNICATION

The risk management framework will be shared with all members including the Board of Directors, management and other staff at the time they become affiliated with ACIC. The framework will also be shared with partners when deemed appropriate by management or other staff. It will be the responsibility of the person providing orientation, direct supervision, or the partner contact to ensure this happens, as well as to respond to any questions or feedback.

The risk framework will also be available on ACIC's website so that all stakeholders are able to view it.

Any changes to the risk framework will be approved by the Board of Directors. Any significant changes will also be communicated to all management and other staff. This is accomplished by providing the new copy along with a cover page highlighting the changes and their page references. The framework shared online will be kept current for all others to view.

RISK MANAGEMENT PROCESS

The standard risk management process is initiated with all activities, is ongoing and consists of four stages:

- a. Identify risks – identification of risk is best achieved by those with a detailed knowledge of defined objectives and operations.
- b. Assess risks – this is the process for categorizing and assessing risk. Risks are evaluated by scoring them for impact and likelihood.
- c. Manage risks – options are evaluated and an agreed course of action taken to manage risk. Generally speaking, risk can be avoided, transferred, or accepted and managed to reduce risk.
- d. Monitoring and Review - on going monitoring and assessment ensures risk management processes are functioning, and current and emerging risks are managed.

CATEGORIES OF RISK

It is important that ACIC ensures that key areas of risk are identified. For example:

- a. Legal – filings, trust, employer requirements, corporate status
- b. Governance – competency, attentiveness, conflicts of interest, compliance with by-laws, member and staff relations
- c. Financial – accurate and sufficient financial information, cash flow and reserves, income sources, financial controls, investments, insurance
- d. Operational – safety, recruitment and training, supervision of staff and volunteers, record keeping, contractual obligations
- e. External – changes to government policy or priorities, competition, changing demands for services, controversial issues, impacts to ACIC's reputation

RISK THRESHOLDS

It is important that the Board is agreed on how much risk ACIC is willing to accept in the pursuit of its objectives. Setting risk thresholds ensures that risks are not over or under managed, and that scarce resources are effectively utilized.

With respect to the specific risk of misuse of funds, ACIC has a 'zero-tolerance' policy which means that the organization does not tolerate corruption, fraud, misappropriation or abuse of any kind in relation to its activities.

Because risk is dynamic, guidelines for acceptable risk levels will be monitored and adjusted as appropriate.

ORGANIZATIONAL RISK REGISTER

Critical risks are detailed in the organizational risk register. This register states the risk, the level of risk (measurement), actions for managing the risk (mitigation and response), lead risk owner and date for review. It serves as the repository of the most important risks that impact ACIC's ability to achieve its objectives. It allows management and the Board to monitor these risks, both individually and in the aggregate, and be assured that appropriate mitigation actions are being taken.

COMMITMENT TO REGULAR RISK REVIEW AND REFINEMENT

To be effective, the Board, management and staff, and the risk management committee must be committed to regular risk review and refinement. Discussion of risk should occur regularly, for example, during strategic planning sessions and before motions to approve major

programs or projects. Management and other staff provide regular reports on risk identification, assessment, and management; reviewing these are part of the Board's work plan.

The risk management framework will be reviewed annually by the risk committee, in consultation with ACIC Board and staff. At the time of review, changing circumstances relating to ACIC's activities, current and emerging risks, recognized best practices, and incidents of the past year should be considered. Risk treatments, such as insurance needs, should also be re-examined annually. Advice should be sought where necessary and on-going learning is encouraged. All changes to the Risk Management Framework will be reviewed and approved by the Board of Directors.

APPENDICES (Under Development)

Glossary of Terms

Risk Register Template

Risk Record Template

Copy of Insurance

Risk Register (ACIC's overall risks)

HISTORY

Risk Management Framework Effective: