



## Risk Management Framework

### Introduction

Edmund Rice Foundation Australia (ERFA) recognizes that not-for-profit organizations face potential risks that can have their origins in the external environment or inside the organization. These risks can have the potential to impact at different levels within the organization or the projects it supports.

ERFA recognizes that risk management is essential for ensuring ERFA's longevity in working towards the realization of its vision and mission and that risk assessment is an essential capacity building enterprise which enables the organisation to:

- increase the probability that it will be compliant with legislation, regulations and contracts
- make its organizational processes more efficient
- improve planning and decision-making
- reduce the exposure of employees and volunteers to health and security risks
- increase the confidence of donors and stakeholders that funding goals and objectives will be met

### Definition

**Risk** is anything that has the potential, if it becomes a reality, to create uncertainty and hence impact on the organisation's achieving of its mission, goals, objectives and strategies. Therefore, the aim of risk management is to identify and reduce such uncertainties.

### Risk Assessment

ERFA enacts a four stage approach to risk assessment:

- **risk identification**
- **risk assessment** - assessing the likelihood of risks occurring and their potential consequences for the organisation
- **risk mitigation** – identifying and enacting the most appropriate actions to mitigate identified risks
- **continuous improvement** - risk assessment and management integrated into regular organisational and project planning and review processes

## **Risk Categories**

ERFA has identified the following as the main risk categories that could have the potential to impact on the organisation:

### **1 External** – areas over which ERFA has no direct control (Page 5)

- 1.1 Legal – e.g. unfavourable changes to legislation and regulations and government policy pertaining to NGOs
- 1.2 Finance – e.g. unfavourable foreign exchange rates
- 1.3 Civil – e.g. unrest in project environments
- 1.4 Environmental – e.g. natural disaster in project environment

### **2 Internal** – areas over which ERFA can exercise direct control (Page 6)

- 2.1 Governance
- 2.2 Finance
- 2.3 Fundraising
- 2.4 Human Resources (HR)
- 2.5 Work, Health & Safety (WH&S)
- 2.6 Information Technology (IT)

### **3 Projects** – areas over which ERFA has influence but not ultimate control (Page 10)

- e.g. issues related to ERFA's in-country partner agreements and in-country management of ERFA supported projects

### **4 Immersion Programs** (Addendum)

- ERFA immersion programs provide opportunities for adult participants to visit and participate in development projects supported by ERFA in developing countries.
- ERFA Immersion Risk Management Framework is an addendum to ERFA Risk Management Framework.

### Risk Impact Table and Risk Action Table

Having assessed a risk’s likelihood and consequences, the **Risk Impact Table** shows how the risk will be ranked. The **Risk Action Table** provides guidance on whether or not a risk treatment plan would be expected.

#### Risk Impact Table (Heat Map)

	IMPACT				
LIKELIHOOD	Insignificant	Minor	Moderate	Major	Extreme
Almost certain	Low	Medium	High	High	Extreme
Likely	Low	Medium	High	High	Extreme
Possible	Low	Medium	High	High	High
Unlikely	Low	Low	Medium	Medium	Medium

#### Impact Colour Coding

Low	Low
Medium	Medium
High	High
Extreme	Extreme

#### Risk Action Table

RISK LEVEL	ACTION
Extreme	Must have immediate risk improvement put in place, coupled with close and ongoing monitoring of risk
High	Risk improvement plan most likely required with planned risk reduction within acceptable timeframe
Medium	Decide whether a risk improvement plan is needed, otherwise continue with existing controls
Low	Continue with existing controls

**Consequences Table - Consequences were risk to occur**

IMPACT	IMPACT DESCRIPTOR
Insignificant	Little or no impact. Dealt with locally. No ongoing issues.
Minor	Some individual activities impacted needing corrective action. Limited financial cost. No external implications.
Moderate	Potential interest from external regulatory authorities. Some material financial implications and / or change to operational activity / procedures required.
Major	Serious reputational damage. Breach of laws / regulations. Significant adverse PR. Media attention. Major impact on operations.
Extreme	Likely threat to the viability and future of the organisation. Serious breach of laws / regulations. Significant adverse media attention.

In summary – the 3 key criteria for risk assessment are:

- Effectiveness of current controls
- Likelihood of identified risk occurring, given current controls
- Consequences, were identified risk to occur

## Risk Management Matrix

### 1 External Risk

ID	Category	Source of Risk & Possible Outcome	Likelihood	Impact	Mitigated Risk Level	Mitigation Strategies	Responsibility
1.1.1	Legal	Unfavourable changes to Australian legislation and regulations pertaining to NGOs – e.g. unfavourable changes to tax laws <ul style="list-style-type: none"> <li>Potential adverse effect on fundraising</li> </ul>	Possible	Major	Low	Directors and CEO monitor relevant government legislation and DFAT, ASIC and ACNC regulations	Directors
1.2.1	Finance	Unfavourable foreign exchange rate <ul style="list-style-type: none"> <li>Programs jeopardised by appreciation of in-country currencies</li> </ul>	Possible	Moderate	Medium	Financial Policy & Procedures Funding Policy	CEO
1.3.1	Civil	In-country political instability <ul style="list-style-type: none"> <li>Threat to project viability and safety &amp; security for in-country project personnel</li> </ul>	Possible	Major	Medium	Safety & Security Policy Monitoring of in-country political and security situations Maintaining of high levels of community engagement to identify & mitigate safety threats	In-country Project Leaders
1.3.2	Civil	Projects jeopardised by adverse in-country political decisions <ul style="list-style-type: none"> <li>Threat to project future</li> </ul>	Possible	Major	Medium	Regular in-country communication & advocacy with key government stakeholders Safety & Security Policy	In-country Project Leaders
1.4.1	Environment	Natural disaster <ul style="list-style-type: none"> <li>Threat to project future and safety &amp; security for in-country personnel</li> </ul>	Possible	Extreme	Low	Safety & Security Policy Establish and maintain relationships with local in-country disaster response organisations – e.g. Red Cross	In-country Project Leaders

## 2 Internal

ID	Category	Source of Risk & Possible Outcome	Likelihood	Impact	Mitigated Risk Level	Mitigation Strategies	Responsibility
2.1.1	Governance	Breach of Corporations Act (Commonwealth) <ul style="list-style-type: none"> <li>Potential deregistration / fines / criminal proceedings against Directors</li> </ul>	Unlikely	Major	Low	Constitution Directors remain abreast of current corporations legislation	Directors
2.1.2	Governance	Breach of ASIC regulations Failure to adequately report to ASIC <ul style="list-style-type: none"> <li>Loss of registration / potential fines</li> </ul>	Unlikely	Major	Low	Company Secretary maintains ASIC compliance and reporting requirements	Directors
2.1.3	Governance	Failure to meet ACNC reporting requirements <ul style="list-style-type: none"> <li>Loss of ACNC registration</li> </ul>	Unlikely	Moderate	Low	Company Secretary maintains ACNC annual reporting	Directors
2.1.4	Governance	Breach of ACFID Code of Conduct <ul style="list-style-type: none"> <li>Loss of ACFID signatory status</li> <li>Implications for fundraising</li> </ul>	Unlikely	Moderate	Low	Strategic Development Manager oversees maintenance of compliance with ACFID Code	CEO
2.1.5	Governance	Inadequate Director succession planning <ul style="list-style-type: none"> <li>Adverse effect on quality of Board leadership</li> <li>Inadequate collective range of Director skills</li> <li>Possible reputational damage</li> </ul>	Unlikely	Major	Low	The Board is aware of Directors' current terms and status The Board is aware of its collective mix of Director skills essential for the governance of an organisation funding international development projects in developing nations	Directors

ID	Category	Source of Risk & Possible Outcome	Likelihood	Impact	Mitigated Risk Level	Mitigation Strategies	Responsibility
2.2.1	Finance	Misappropriation of funds Fraudulent access to funds <ul style="list-style-type: none"> <li>Financial loss</li> <li>DFAT/ACNC consequences</li> <li>Audit consequences</li> <li>Serious damage to reputation</li> <li>Loss of donor trust</li> <li>Adverse implication on ability to meet project funding commitments</li> </ul>	Unlikely	Major	Low	Financial Policy & Procedures Funding Policy Counter-Terrorism Policy Anti-Corruption & Anti-Fraud Policy Delegations of Authority Policy Corporate Credit Card Policy & Procedure Travel & Accommodation Policy	CEO
2.2.2	Finance	Inadequate insurance <ul style="list-style-type: none"> <li>ERFA exposed to costs which should have been covered by insurance</li> </ul>	Unlikely	Major	Low	Insurance Policy arrangements	Directors
2.2.3	Finance	Unfavourable audit <ul style="list-style-type: none"> <li>DFAT/ACNC consequences</li> <li>Reputational damage</li> <li>Loss of donor trust</li> </ul>	Unlikely	Major	Low	Financial Policy & Procedures Anti-Corruption & Anti-Fraud Policy Funding Policy	Directors
2.3.1	Fundraising	Breach of fundraising regulations / Inappropriate fundraising / Use of funds raised for other than publicly stated purpose <ul style="list-style-type: none"> <li>Serious damage to reputation</li> <li>Adverse implications for fundraising</li> <li>Adverse implication on ability to meet project funding commitments</li> </ul>	Unlikely	Major	Low	Financial Policy & Procedures Fundraising & Donations Policy	CEO

ID	Category	Source of Risk & Possible Outcome	Likelihood	Impact	Mitigated Risk Level	Mitigation Strategies	Responsibility
2.3.2	Fundraising	Misappropriation of donations <ul style="list-style-type: none"> <li>Loss of trust of donors</li> <li>Reputational damage</li> </ul>	Unlikely	Major	Low	Financial Policy & Procedures Fundraising & Donations Policy Anti-Corruption & Anti-Fraud Policy Donor filing system Protocols for Handling of Donations, Auctions & Raffles	CEO
2.3.3	Fundraising	Anticipated fundraising targets not realized <ul style="list-style-type: none"> <li>Adverse impact on in-country program delivery</li> <li>Adverse impact on in-country project contractual obligations including project staff</li> </ul>	Unlikely	Major	Low	Funding Policy Fundraising & Donations Policy	CEO
2.4.1	HR	Poor staff retention & succession planning <ul style="list-style-type: none"> <li>Adverse impact on planning, decision-making, administration, fundraising, compliance, staff wellbeing &amp; confidence of donors &amp; stakeholders</li> </ul>	Unlikely	Major	Low	The Board is aware of the contract terms of the CEO and is responsible for the CEO's performance review The CEO is aware of staff contract terms and is responsible for staff performance reviews Staff induction, training & mentoring programs Staff PD opportunities Human Resources Policy	Directors - with respect to CEO  CEO – with respect to staff & volunteers
2.5.1	WH&S	Physical, mental, legal, reputational harm to staff or volunteers <ul style="list-style-type: none"> <li>Potential Worksafe involvement</li> <li>Potential compensation claims</li> </ul>	Possible	Major	Low	Human Resources Policy Occupational Health & Safety Policy Staff Code of Conduct Complaints Handling Policy Gender Equality & Female Empowerment Pol' Diversity & Inclusiveness Policy Harassment Policy	CEO



ID	Category	Source of Risk & Possible Outcome	Likelihood	Impact	Mitigated Risk Level	Mitigation Strategies	Responsibility
2.6.1	IT	Loss of ERFA IT data – e.g. loss of financial or donor records <ul style="list-style-type: none"> <li>• Adverse effect on ability to meet audit requirements</li> <li>• Adverse effect on fundraising</li> <li>• Potential breach of privacy legislation</li> </ul> Loss of ERFA paper records could have similar consequences	Unlikely	Major	Low	Oceania Province IT data back-up system Electronic Communications Policy Privacy Policy Copyright Policy	CEO

### 3 Projects

Note: All in-country project funding applications must include a project risk assessment

ID	Category	Source of Risk & Possible Outcome	Likelihood	Impact	Mitigated Risk Level	Mitigation Strategies	Responsibility
3.1.1	Project: In-country Agreements	Failure of Africa and/or Oceania Provinces to honour aspects of their in-country agreements with ERFA <ul style="list-style-type: none"> <li>• Damage to ERFA's financial support of projects</li> <li>• Potential damage to project development</li> </ul>	Unlikely	Major	Low	ERFA - Africa & Oceania Province In-country Agreements ERFA CEO works closely with Africa & Oceania Province Leaderships to ensure that ERFA and the Provinces' Missions are aligned with respect to the Provinces' plans for their development projects Design, Monitoring & Evaluation Policy Sustainable Development Policy	Directors
3.1.2	Project: In-country Environment	Unpredictable in-country environment Project exceeding budget <ul style="list-style-type: none"> <li>• Delays in project implementation</li> </ul>	Possible	Moderate	Medium	Project Work Plans & Documents Project Policies & Procedures Quarterly Report Overseas Projects Annual Acquittal Overseas Projects	CEO ERFA M&E Committee
3.1.3	Project: Corruption	In-country misappropriation of funds <ul style="list-style-type: none"> <li>• Financial loss</li> <li>• Audit consequences</li> <li>• DFAT &amp; ACNC consequences</li> <li>• Loss of donor trust</li> </ul>	Possible	Minor	Medium	Anti-Corruption & Anti-Fraud Policy Counter-Terrorism Policy Quarterly Report Overseas Projects Annual Acquittal Overseas Projects	In-country Project Leaders ERFA M&E Committee
3.1.4	Project: Target Clientele	Vulnerable & marginalised groups not being engaged in project <ul style="list-style-type: none"> <li>• Loss of donor trust</li> </ul>	Unlikely	Major	Low	The CEO ensures alignment of Province, project and ERFA missions In-country Partner Agreements Application for Recurrent Funding Form Design, Monitoring & Evaluation Policy Sustainable Development Policy	CEO In-country Project Leaders ERFA M&E Committee

ID	Category	Source of Risk & Possible Outcome	Likelihood	Impact	Risk Level	Mitigation Strategies	Responsibility
3.1.5	Project: Quality of Service	Decline in project quality of service <ul style="list-style-type: none"> <li>Projects not completed</li> <li>Service below standard</li> <li>Decrease in quality of service due to increased demand</li> </ul>	Possible	Major	Medium	Quarterly Report Overseas Projects Annual Acquittal Overseas Projects Design, Monitoring & Evaluation Policy Sustainable Development Policy	In-country project Leader ERFA M&E Committee
3.1.6	Project: Child Protection	Breach of Child Protection Policy <ul style="list-style-type: none"> <li>Damage to Project &amp; ERFA reputations</li> <li>Loss of donor trust</li> </ul>	Possible	Major	Medium	ERFA Child Protection Policy Province Child Protection Policies Project Site Child Protection Policies In-country Child Protection Training for all staff & volunteers	CEO if ERFA governed In-country Project Leaders if Province governed
3.1.7	Project: Damage to Edmund Rice Brand	Failure of Africa or Oceania Province Edmund Rice Entities, other than ERFA supported entities, to protect the Edmund Rice brand - e.g. child abuse incident <ul style="list-style-type: none"> <li>Damage to ERFA reputation by association</li> <li>Damage to ERFA supported project reputations by association</li> <li>Adverse implications for fundraising</li> </ul>	Possible	Major	Medium	Province Child Protection Policies In-country Child Protection Training for all staff & volunteers Accreditation of Oceania Province Ministries and regular reviews of accreditation	In-country Province Leaders
3.1.8	Project: Reports & Acquittals	Poor reporting and acquittals	Possible	Moderate	Medium	Quarterly Report Overseas Projects Annual Acquittal Overseas Projects ERFA General Manager liaises with Project Leaders re reporting and acquittal requirements	ERFA General Manager ERFA M&E Committee