



ORGANISATIONAL RISK MANAGEMENT POLICY

ORGANISATION:	Kokoda Track Foundation
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INTRODUCTION

Kokoda Track Foundation (KTF) endeavors to minimize the risk any particular operation poses to our organisation, our personnel, our partners, our program beneficiaries, our donors, the environment, or the general public. Making risk management an integral part of organisational culture is essential to improving the organisation's strategic planning and decision making. This involves ensuring that risk management is embedded into business as usual and not seen as distinct from day to day activities.

PURPOSE

The purpose of risk management is the creation and protection of value. It improves organisational performance, encourages innovation and supports the achievement of the objectives of KTF. This policy sets out the way in which risks facing KTF should be assessed, mitigated, monitored, and reported and details the responsibilities within the organisation for risk. It also outlines KTF's organisational-wide culture and approach to Risk Management.

DEFINITION

Risk is the probability that an occasion will arise that presents a danger to our organisation, our personnel, our partners, our program beneficiaries, our donors, the environment, or the general public. It includes, but is not limited to:

- Physical hazards
- Financial hazards
- Reputational hazards
- Legal hazards
- Security hazards
- Travel hazards

Risk Management Processes are the systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, documenting, monitoring and reviewing risk.

Risk Assessment is the process of identifying, analysing, quantifying and documenting risk.

Risk Register is the document that records risks and assigns responsibility for their controls and treatments.

Risk Controls are the current processes, procedures, actions or other measures that are taken to reduce the likelihood of a risk occurring or minimise the impact if the risk were to occur. A control is something that is currently in use, as opposed to a treatment, which is a control not yet implemented.

Likelihood is the chance of a risk happening

Consequence is the outcome or impact of a risk happening. The risk can affect KTF's personnel, reputation, objectives, its stakeholders, partners, beneficiaries or the wider community.

Risk Rating is the rating (or level) of a risk derived from the combination of consequences and their likelihood.

Risk Matrix is the criteria against which the level of risk is evaluated, taking account of likelihood and consequence.

Risk Treatment is a strategy, process or procedure that aims to reduce the likelihood, share or mitigate the impact of risk. A risk treatment is something being proposed or planned.

Risk Appetite is the amount and type of risk that KTF is willing to bear to achieve its objectives either before or after treatment.

Risk Owner is the named person/entity with accountability or authority to manage a risk.

POLICY

KTF has a duty to provide a safe workplace for its staff and volunteers, a safe environment for its partners, program beneficiaries and stakeholders, and a reliable development path for the organisation. KTF will at all times put risk-management procedures in place that will as far as possible ensure that risks are minimised, managed and their consequences averted.

KTF's risk management framework is centred on leadership and commitment. KTF's Board is accountable for overseeing Organisation-wide Risk Management and establishes the amount and type of risk that may or may not be taken (risk appetite).

Risk management is an integral part of all organisational activities at all levels within KTF, both operational and strategic. The process of risk management is consistent across the organisation to ensure efficiency, consistency and reliability of results.

Risk management activities are dynamic, need to be iterative and responsive to emerging and changing risks. They also need to recognise the contribution that people and culture have on achieving KTF's objectives.

RESPONSIBILITIES

It is the responsibility of the Board, with the assistance of the CEO, to carry out risk management analyses of the organisation, and to take appropriate measures.

In its governance role, the Board of KTF assumes ultimate responsibility to ensure that adequate risk management procedures are adopted to protect the assets and undertaking of the organisation. Underpinning this policy, the Board

adopts an active approach to risk management on the basis that KTF is a risk-aware organisation, rather than a risk-averse one.

The Board recognises that prudent risk management does not require that all risks be identified and eliminated, but that procedures are in place to identify material risks arising out of the day to day operation of KTF and, where the likelihood and/or consequences of such a risk occurring demand that steps be taken to minimise, eliminate or transfer that risk, that such steps are indeed taken.

The Board will develop, publish and regularly review a risk appetite statement. The risk appetite statement reflects KTF's risk management philosophy and sets out a vision on how risks are to be viewed. KTF's risk appetite provides the basis for setting acceptable levels of risk tolerance and thresholds, and contributes to the identification and implementation of mitigation actions.

It is the responsibility of the CEO to ensure that:

- effective risk management procedures are in place, applicable to all relevant areas and projects;
- risk management procedures are reviewed regularly;
- recommendations arising out of the risk management process are evaluated and, if necessary, implemented;
- employees and volunteers are aware of all applicable risks and familiar with the organisation's risk management procedures; and
- risk management analyses are carried out for all relevant sectors of the organization (including but not limited to child protection, prevention of sexual exploitation, abuse & harassment, and environmental risk assessment).

All KTF staff have a responsibility to be mindful of risk and to ensure appropriate steps and measures are taken to identify, analyse and manage risk in the course of their work. It is the responsibility of all employees and volunteers to ensure that:

- they are familiar with KTF's risk management procedures applicable to their section;
- they observe those risk management procedures; and
- they inform their supervisor if they become aware of any risk not covered by existing procedures.

KTF Partner organisations will:

- Comply with all obligations as defined in their agreements with KTF including those pertaining to risk management;
- Provide or develop risk management policies and procedures with assistance from KTF where required;
- Ensure regular training is undertaken with staff for risk management.

PROCEDURES

KTF's Risk Management Policy is implemented and supported by a range of measures. These measures include;

- Encourage the proactive management of risks,
- Ensure risk management becomes part of day-to-day management and embedded into organisational culture,
- Provide staff with the policies and procedures necessary to manage both organisational and project-specific risks,
- Ensure staff are aware of risks and learn how to manage them,
- Conduct ongoing training on risk management,
- Identify and rate all strategic, operational and project-specific risks,
- Identify and implement controls to minimise risks,

- Develop mitigation and contingency plans to help minimise the impact of risks,
- Ensure ongoing review and assessment of risks,
- Continually monitor the risk profile and maintain a continuous improvement approach to risk management and,
- Incorporate lessons learned into organizational planning.

KTF considers risk in two ways: **organisationally** and **project-specifically**.

Step 1: Identify Risks

Organisational risks will be identified as and when they arise, when there are major changes in the operating environment and during annual board planning sessions. Organisational risks may be identified and assessed by the Board of directors, Finance, Audit & Risk Management Committee, CEO, and/or Leadership team. Financial risks are also considered from an organisation-wide perspective and within individual projects.

Project-specific risks are identified during the preparation of project proposals, during planning, during project design, during implementation, during monitoring and evaluation, during partner reviews and during preparation of reports. Project level risk matrices are prepared at the commencement of a project and regularly reviewed throughout the life cycle of a project. Project risks must consider the fraud & finance risks, safeguarding risks, gender, disability and inclusion risks, and risks associated with the environment and climate change.

Some of the questions to be considered are. What can happen? How can it happen? What can go wrong? What barriers would stop the annual plan, project or decision from meeting its objectives? Who else (both within and from outside the organisation) may/can influence the outcome?

Step 2: Analyse Risks

Risk analyses separate the minor acceptable risks from the major risks, and provide information to assist in the management of unavoidable risks. Good sources of data to review include:

- Past records
- Relevant experiences of KTF and peer organisations
- Project monitoring
- Effectiveness Results
- Project evaluations
- Partner reviews
- Industry practice and experience
- Relevant published literature
- Experiments and prototypes
- Specialist and expert judgements.

Risk analysis techniques may include:

- Consultation with stakeholders,
- Brainstorming in workgroups (may be beneficial to include members of other workgroups who may hold different, yet valuable, perspectives),
- Running scenarios,
- Conducting participatory capacity and vulnerability assessments at project locations
- Research and,
- Using common sense and judgement.

Consider the sources of risk, and any factors that will affect consequence and likelihood

Step 3: Determine Consequences and Likelihoods

Based on the analysis undertaken, determine the possible **consequences** of each risk using the definitions in the table below:

Severe	Operational risk - Challenges that could impact on the ability to continue operations or threaten the existence of the organisation. Project-specific risk – Challenges that could stop projects or programs before finishing and can cause serious impacts on project outcomes, organisational reputation and/or resources.
Major	Operational Risk - Challenges that could require the organisation to take serious measures such as curtailing operations. Project-specific risk- Challenges that could disrupt outcomes and/or cause significant negative impact on project outcomes, organisational reputation and/or resources.
Moderate	Operational risk: Challenges that could be managed at country/dept. level or by senior management. Project-specific risk: Challenges that could disrupt outputs and/or may cause negative impact, but could be effectively managed by program management.
Minor	Challenges that could be managed easily by management or project staff.
Insignificant	Challenges that staff and managers needs to be aware of but no significant management required.

Based on the analysis undertaken, determine the **likelihood** of each risk occurring using the definitions in the table below:

Likelihood	Description	Probability
Almost certain	Is expected to occur in most circumstances	> 91%
Likely	Will probably occur in most circumstances	Between 61 to 90%
Possible	Might occur at some time	Between 31 to 60%
Unlikely	May occur only in exceptional circumstances	Between 6 to 30%
Rare	Not expected to occur	Between 1 to 5%

Step 4: Rate the Risks

The main objective of this step is to determine which risks need to be monitored and managed and which risks could be considered acceptable and require no further examination. The table below sets out the guidelines for managing risk. For example, low risks could be considered acceptable while major risks need to be managed. However, it should not be assumed that all low risks could be ignored. The decision needs to be made for each identified risk based on an assessment.

Using the ratings of impact and likelihood from Step 3, decide the overall risk level for each risk. The level of risk is determined by taking into account consequence and likelihood:

				Risk consequence				
				1	2	3	4	5
				Insignificant	Minor	Moderate	Major	Severe
Risk Likelihood	5	Almost certain	>91%	Medium	High	High	Extreme	Extreme
	4	Likely	61-90%	Medium	Medium	High	High	Extreme
	3	Possible	31-60%	Low	Medium	Medium	High	High
	2	Unlikely	6-30%	Low	Medium	Medium	Medium	High
	1	Rare	1-5%	Low	Low	Low	Medium	Medium

Organisational risks rated as Extreme or High must be reviewed at each Board Meeting upon initial review by the Finance, Audit and Risk Management Committee. Project level risks rated as Extreme or High must be reviewed by the CEO or COO on a quarterly basis at Program meetings.

Step 5: Risk Management Strategy

A range of risk management strategies should be explored for risks that are logged in the risk register. These include:

- **Avoid the risk** – decide not to proceed with the activity or change project program location although you should note that inappropriate risk avoidance (because of fear etc.) may increase significance of other risks such as leaving critical choices/decision up to other parties.
- **Reduce the likelihood** of the occurrence
- **Reduce the consequences** – have a contingency plan or critical incident plan
- **Transfer in full or in part** – this involves another party bearing or sharing some part of the risk – you could use contracts, insurance arrangements, partnerships, joint ventures.
- **Accept the risk** – after risks have been reduced or transferred, there may be residual risks which are retained. Risk management strategies should be put in place to manage the consequences of these risks if they should occur.

The KTF Organisational Risk Register and Project-level Risk Registers should be updated to detail the risk management strategies to be put in place for each risk listed on the register. These include the plan, policies, processes, trainings, and personnel that will be put in place in order to mitigate the risk.

Implementation of these risk management strategies is then the responsibility of the CEO and the Leadership Team (for Organisational Risk) and the Head of Education, Head of Health and Head of Localisation for Project level risk.

Support for the development of risk management strategies should be drawn from the various KTF committees and working groups:

- Finance, Audit & Risk Management Committee
- Sustainability Committee
- Programs, Monitoring & Evaluation Committee
- Child Protection Working Group
- Prevention of Sexual Exploitation, Abuse & Harassment Working Group
- Climate Change Adaptation and Disaster Risk Reduction Working Group
- Gender Equality, Disability and Social Inclusion Working Group

The COO will ensure that:

- each section of the organisation has available to it all relevant risk management recording schedules (for example, risk management registers, issues and changes logs, security incident logs, Child Protection logs, PSEAH logs);

- each risk management log is reviewed by the relevant personnel regularly to ensure that no risks have been overlooked and to ensure that procedures are in place to avert the risk or, if that is not possible, to mitigate its impact.

END