



## **Health Development Initiative**

### **Risk Management Policy**

April 2019

## **List of abbreviations**

<b>Abbreviation</b>	<b>Abbreviation in full</b>
HDI	Health Development Initiative
HR	Human Resources
IT	Information Technology
NGOs	Non Governmental Organisations
RGB	Rwanda Governance Board
RRA	Rwanda Revenue Authority
SOP	Standard Operating Procedures

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## 1. Preamble

Health Development Initiative (HDI) recognizes that the organization is exposed to certain risks due to the nature of its activities and the environment in which it operates. The key to HDI's success is the effective management of risk to ensure its organizational objectives are achieved.

Risks arise due to the organization's operational undertakings and from external sources. Risks occur in numerous ways and have the potential to impact financial performance, reputation, health and safety, community and the overall performance of the organization.

## 2. Definitions

**Risk** – the chance of something happening that will have an impact on the achievement of organisational stated objectives. The likelihood and potential impact of encountering a threat.

**Risk management** – can be defined as a process of undertaking coordinated activities to control or reduce risk. Also defined as a formalized system for forecasting, weighing, and preparing for possible risks in order to minimize their impact

**Risk assessment**- The overall process of risk identification, risk analysis and risk evaluation.

**Risk register** - risk register is a database of risks that face an organisation at any one time. Always changing to reflect the dynamic nature of risks and the organisation's management of them, its purpose is to help managers prioritise available resources to minimise risk and target improvements to best effect.

### Risk Levels Rating

Risk No	Risk Level	Risk category	Description
5	Critical	Loss, error or omission >15% of annual budget or projected revenue	An event so severe in nature it could lead to a significant restructure of the organization or its major parts or a change in the management structure
4	Major	Loss, error or omission 10% - 15% of annual budget or projected revenue	An event, which with proper management can be endured, may involve some changes in management, additional resources required
3	Moderate	Loss, error or omission 5% - 10% of annual budget or projected revenue	An event that can be managed under normal circumstances, additional resources required, potential reallocation of resources
2	Minor	Loss, error or omission 1% - 5% of annual budget or projected revenue	An event, where the consequences can be absorbed but management effort is required to minimize the impact, potential reallocation of resources
1	Insignificant	Loss, error or omission up to 1% of annual budget or projected revenue	An event, where the impact can be absorbed through normal/ usual activity

### 3. Policy

In order to fully understand such risks, HDI has established a Risk Management Policy which provides the framework for how risk will be managed within the organisation. The Risk Management Policy is based on international standard risk management principles and guidelines, and forms part of the governance framework of the organisation. It also integrates with the strategic planning process. The Policy addresses both strategic and operational risks. We will use our skills and expertise to identify risks across the organisation. HDI will also identify operational controls in place which manage risk.

We will assess the size or degree of risk by taking into consideration the potential impact to our operations. Risks will be ranked in a common and consistent manner and a Risk Register will be maintained containing material risks to the organisation.

Risk treatment actions and plans will be developed for risks which are unacceptable to the organisation. Risks, and the effectiveness of the risk management system will be monitored on a regular basis and we will communicate and consult with relevant stakeholders on our approach to managing risk.

This policy is neither exhaustive nor static. The policy will be reviewed annually upon changes in the operational environment and/or change in program activities.

### 4. Risk assessment

Risk assessment processes identify an organisation's exposure to uncertainty. This has been approached in a methodical way to ensure that all significant activities in HDI have been identified and all the risks flowing from these activities defined. Organisation activities and associated risks can be classified broadly in the following ways:

Risk Area/Category	Risk Name/ Description
Security	Breach of security due to failure to follow procedures resulting in potential theft/or loss of assets
Safety	Failure of staff to follow procedures resulting in potential injury and health and safety incident
Fiduciary	Resources not used as intended (fraud/ theft/ bribery)
Information	Loss of digital records through inadequate IT systems resulting in potential loss of reputation and / or loss of productivity
Legal/statutory compliance	Inadequate compliance systems in place which may result in fines and penalties from the regulator Breach of contract resulting in potential fines or litigation
Reputational	Adverse media attention and/or heightened concern of local community
Operational	Disruption to day-to-day activities due to systems or process failure resulting in potential loss of productivity Inability to adequately resource programs with possible program delays and

Risk Area/Category	Risk Name/ Description
	loss of reputation Poor management systems resulting in duplication and potential loss of productivity
Financial/Going concern	Changes in the political landscape resulting in possible loss of funding Failure to effectively manage the financial resources of the organisation which may result in financial loss
Financial/Internal controls	The Internal control systems and environment may not be functioning as desired
Financial/ procurement	The procurement guidelines in place may not be adhered to thus leading to failure to achieve value for money in procured goods and services. Effectiveness, Efficiency and Economy of the purchases may not be obtained
Sub recipient	Implementing partners may not have the capacity to utilise funds and comply with the funding agreements

Management and supervisory staff will regularly review their risks and their management approaches to them, and note them on risk registers in section 7 of this risk management framework. The risk register will be revised and updated at least annually at the time of preparing the annual budget and the review will consider any significant risks which may affect achievement of budget objectives.

## 5. Roles and responsibilities in risk assessment

HDI is committed to promoting a culture of Risk Management based on a practical application of best practice. is committed to having in place the necessary structures, processes, training, information systems and communication mechanisms to ensure that this is achieved, along with, where necessary, financial and other resources. HDI seeks the commitment of all staff in supporting this initiative. HDI promotes an environment within which individuals/ groups are encouraged to identify hazards and risks, and report adverse events promptly within the framework of a positive and supportive culture which seeks to apportion blame fairly.

### 5.1 Board of Directors

The Board of Directors of HDI expects that a risk register be maintained which will allow for the capture of risk information from the ‘bottom up’ within the organisation. The HDI Board has a fundamental role to play in the management of risk, some of which may be delegated to Audit Committee. The role is to:

Approve and monitor the risk management strategy and demonstrate the commitment to effective risk management.

- Set the tone and influence the culture of risk management within HDI. This includes determining what types and levels of risk are acceptable (the so-called risk appetite) and which are not, and to provide a framework within which the appropriate level of exposure to risk can be determined in particular circumstances.
- Annually reviewing HDI’s approach to risk management and, if appropriate, recommending changes or improvements to key elements of its processes, policies and procedures.

- Approve major decisions affecting HDI's risk profile or exposure.
- Review at least annually HDI's key strategic risks and the management approaches for each.
- In the HDI Annual Report publish a Corporate Governance statement which summarizes the risk management policy, following advice from senior management, and external and internal audit.

## **5.2 Management**

HDI management will be responsible for implementation, execution, monitoring and reporting in the risk management process. They are the overall in charge of the day to day identification and management of risks affecting HDI operations. HDI management is responsible for:

- Implementing the HDI risk management policy.
- Ensuring that the major risks associated with significant proposals put to it have been properly considered and can be appropriately managed within the policy framework set by the Board.
- Ensuring that risks are properly managed.
- Communicating HDI policy and information about the risk management programme to all staff, and making it transparent and publicly available.

## **5.3 Staff**

The roles of HDI staff will be tailored to their position. The main responsibility of staff will be risk awareness. Management will have a role to ensure that all staff have risk awareness information. Supervisory and low level staff are responsible for the following:

- Identifying evaluating and managing strategic and operational risks in their area of responsibility and bring emerging corporate risks to management's attention.
- Ensuring compliance with organisation's policies.
- Ensuring that everyone in their area of responsibility understands their risk management responsibilities and making clear the extent to which staff are empowered to take risks.
- Understand their accountability for individual risks.
- Understand that risk management and awareness are a key part of the organisation's culture.
- Report systematically and promptly to management any perceived new risks or failures of existing control measures.
- Understand how they can enable continuous improvement of risk management processes.
- Follow HDI's policy on reporting fraud if they have concerns that actions are not being taken properly through normal channels.

## **6. Monitoring and reporting**

HDI risk management process will be responsive to change – both within the organisation and in the external environment. Therefore, the activities of monitoring and reviewing will be ongoing,

and are integral to every step in the HDI Risk Management Process. By monitoring risks, controls and risk treatment plans, the organization will ensure that risks are being managed in accordance with the Risk Management Policy and Framework. HDI will determine the effectiveness (impacts, benefits and costs) of our risk management strategies. Monitoring is part of the continual improvement process and will enhance organisational value.

HDI will ensure that formal review and reporting mechanisms are in place including:

- On an annual basis, we will review HDI Risk Management Policy and Framework, risk assessment criteria, and the Risk Management Process and its integration and alignment with other organisational processes.
- On a quarterly basis, report will be sent to the Board with an update on the Risk Register and risk treatment plans (particularly for 'high' risks).
- On a monthly basis, management will review risks and risk treatment plans and prepare a report to be submitted to the Board of Directors.



## 7. Risk management register

Area	Definition	Examples	Risk present (Yes/No)	Risk Rating (1 Low - 5 High)	Management strategy of dealing with the risk	Action required	Responsible
Security	Violence or crime	Malicious opposition attack on facilities	Yes	1	Engaging local leaders to understand HDI's works	Ensure office security, report an suspicious incident	Executive Director
		Damage from unforeseen disasters	Yes	2	Insurance against natural calamities.	Payment for insurances	Director of Administration and Finance
Safety	Accident or illness	Accidents	Yes	3	Insurance against natural calamities.	Payment for insurances	Director of Administration and Finance
		Fire in office	Yes	3			
Fiduciary	Resources not used as intended (fraud/ theft/ bribery)	Diversion of donated materials	Yes	2	Implement anti-corruption policy	Implement and train staffs on anti-corruption policy	Director of Administration and Finance
		Bribery of local officials	Yes	2			
		Misallocation of earmarked donations	Yes	2			
Information	Data loss, breach, or misuse	Theft of computers with HDI information	Yes	2	Asset management policy contained in finance manual	Obtain police report on any theft	Director of knowledge management and learning
		Breach of personnel data or other sensitive information	Yes	3	IT policy	IT policy	Director of knowledge management and learning
		Inappropriate communications by staff on social media	Yes	3	Communication strategy	Communication strategy	Director of Communication
		Use of personal emails instead of corporate email	Yes	3			
Legal/statutory compliance	Violation of laws/regulations	Violations of Rwanda labor law	Yes	4	Update the HR manual in line with new Labor law	Annual external Audit	Director of Administration and Finance
		Violations of Rwanda income tax law	Yes	1	Update manual with the RRA compliance requirements		

Area	Definition	Examples	Risk present (Yes/No)	Risk Rating (1 Low - 5 High)	Management strategy of dealing with the risk	Action required	Responsible
		Violations of RGB Rwanda law establishing NGOs	Yes	1	Update manual with the RGB compliance requirements		
		Non compliance with donor funding agreements	Yes	2	Adopt a policy of total compliance with the donor requirements	Regular staff training on donor compliance	Director of Administration and Finance /Executive Director
Reputational	Action, information or perceptions damaging to integrity or credibility	Negative media stories	Yes	4	Implement a communication strategy	Update the communication strategy and plan	Communication Director/ Executive Director
		Negative public statements or litigation by staff, ex-staff or stakeholders	Yes	2			
Operational	Inability to achieve objectives	Human error	Yes	2	Implement and maintain Standard Operating Procedures (SOP)	Train all staff on the SOPs	Director of Administration and Finance
		Capacity deficits	Yes	1	Implement a capacity development plan	Train all staff	Human resource manager
		Financial deficits	Yes	2	Develop a financial sustainability strategy	Source for new donors	Strategic Growth Advisor
		Lack of operational policies and procedures	Yes	2	Implement and maintain Standard Operating Procedures (SOP)	Train all staff on the SOPs	Director of Administration and Finance
		Poor management systems resulting in duplication and potential loss of productivity	Yes	2			
		No meetings held to discuss organisation matters	Yes	1	Hold regular meeting	Meeting held at least on a monthly basis	Communication advisor
		No background checks on recruitment of staff	Yes	2	Implement HR Manual	Implement HR Manual	Human resource manager

Area	Definition	Examples	Risk present (Yes/No)	Risk Rating (1 Low - 5 High)	Management strategy of dealing with the risk	Action required	Responsible
		Reports not prepared within the set deadlines	Yes	3	Implement Finance manual	Implement Finance manual	Director of Administration and Finance
Financial/Going concern	Inability to raise adequate funding resulting in the potential impact on program delivery	Underfunded budgets	Yes	3	Implement the strategic plan	Implement the strategic plan	Director of Administration and Finance
		Non achievement of objectives	Yes	2			
		Financial failure of key supplier resulting in potential impact to delivery of services	Yes	1	Undertake due diligence during procurement, protective contracting	Follow the laid down procurement procedures	Procurement officer
Financial/Internal controls	Internal controls are weak	No internal audit function	Yes	1	HDI will have a regular review of the internal control systems to ensure that they are working. External review will also be carried out by the external auditors to obtain assurance on the internal controls	Regular internal and external audit review	Director of Administration and Finance
		Accounting software not utilised optimally	Yes	1			
		Few staff and thus no adequate segregation	Yes	1			
		No fixed assets management control systems	Yes	1			
		Cash and cheque book not kept in a safe	No	1			
		Transactions are not supported with adequate documents like invoices	Yes	1			
		No staff and supplier contracts	Yes	1			
Financial/procurement	Procurement guidelines not followed and thus no value for money	Failure to comply with the laid down procurement regulations	Yes	1	Monitoring of implementation of the procurement regulations	Detailed supplier contract and payment in installments	Procurement officer
		Delayed delivery of procured goods leading to delayed project implementation	Yes	2			
		Failure of supplier to fulfill obligation	Yes	1			
		Delayed requisitions to create false emergencies	Yes	2	Preferred vendor list	Have approved annual procurement plan	Procurement officer

Area	Definition	Examples	Risk present (Yes/No)	Risk Rating (1 Low - 5 High)	Management strategy of dealing with the risk	Action required	Responsible
		Insufficient budget compared to quotations obtained from suppliers	Yes	2	Use current prices for budgeting	Use current prices for budgeting	
Sub recipient	Sub recipient do not have capacity to implement activities	Has the organisation established controls and procedures for flow of funds, financial information, accountability, and audits in relation to sub recipient entities?	Yes	2	Implement partnership policy	Extend capacity building with partners and collaborators to improve their systems and controls	Director of Administration and Finance
		Do the sub-recipients comply with the agreements	Yes	2	Sign agreement with sub recipients		