# Save the Children

# Risk Management Policy

MARCH 2024

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## Where can I get help?

Please contact the Enterprise Risk team for further advice or support:

fraud@savethechildren.org.au

# PART 1: POLICY STATEMENTS

## Why do we need this policy?

This policy **outlines** the Risk Management Principles, our Approach and Process that we use to effectively manage risk.

At Save the Children, we are committed to **effective risk management** as it helps us to achieve our strategic goals, improve our performance and safeguard our clients, people and assets.

## Our risk management principles

Our approach to risk management at Save the Children will be guided by these principles:

- **Integrated** – risk management is part of everything we do. It is a core element of business planning and is undertaken in relation to strategic and annual planning, budgeting, priority setting, program design and delivery, use of technology, major procurement and projects.

- **Structured and comprehensive** – our people are equipped with tools and support to apply risk management practices effectively and consistently across all of our operations.

- **Appropriate** – our risk approach, processes and tools are tailored to our external and internal contexts.

- **Inclusive** – our processes enable participation of a range of stakeholders, including clients, which results in improved awareness and timely risk-informed decision making.

- **Dynamic** – risks are periodically reviewed, and the risk management approach uses timely information and data to enable leaders to respond to changes in the operating environment.

- **Fact based** – risk insight and reporting leverages historical and current information and data.

- **Human and cultural factors** – a positive risk culture is demonstrated through leadership, with a clear commitment to fostering awareness of, and accountability for, risk.

- **Continuous improvement** – our Risk and Resilience Maturity Plan, and the use of retrospectives, enables continuous improvement of the risk management practices across the organisation over time.

## What is your responsibility?

When we refer to 'we', we mean all Save the Children Australia (SCAus) representatives. **This policy applies to all Save the Children representatives, including its employees, contractors, directors and volunteers.**

- The Save the Children Board is responsible for leadership and commitment to risk management, including setting the tone of our risk culture.

- The Executive is responsible for key strategic and operational risks, including consideration of emerging and global shared risks.

- The Enterprise Risk team is responsible for the design and implementation of our risk management approach, practices and processes.

- Everyone working at or with Save the Children is responsible for understanding and following our Risk Management Policy and ensuring any breaches of this policy are reported to Enterprise Risk. This means:

    > Everyone identifies and assesses risks in their job and take steps to mitigate or escalate them.

    > Everyone uses our risk management tools to undertake risk assessments.

    > Line Managers understand the risks their team face, make sure that controls are effective and if required, implement additional mitigations.

# Our approach to risk management

- We set out a clear Risk Management Policy (this document).

- Our Risk Appetite Statement (RAS) sets the type and level of risk we consider appropriate in pursuit of our objectives and is approved by our Board.

- We integrate risk management into our overall management processes, including business planning and corporate governance.

- Our risk management processes help our people to identify, assess, mitigate, monitor and review, and report risks.

- We maintain risk registers at State (NSW, NT, QLD, TAS, VIC-SA, WA), Country and Region (Papua New Guinea, Solomon Islands, Vanuatu, Tonga, Pacific), Business Unit (54 Reasons, International Programs, Supporter Engagement, Group Operations, Finance), Subsidiary (e.g. Library for All, Save the Children Impact Fund, Centre for Evidence and Implementation) and enterprise (whole of SCAus) levels. These registers define key risks and risk ownership, key controls, risk ratings and mitigations.

  > The Enterprise Risk Register will be reviewed biannually by our Executive and Board.

  > Business Unit, State, Country and Region, and Subsidiary risk registers will be reviewed at least twice a year by risk owners, with status updates provided on controls and mitigating actions taken to mitigate risk.

  > Program/project risk registers will be reviewed periodically by risk owners.

- We identify, document and establish business continuity plans for our most critical processes.

- We use a consistent approach to rating risks by assessing the likelihood of it happening and the potential impact if it did (see Rating Risks).

- We are committed to improving risk management through our Risk and Resilience Maturity Plan and mandatory learning program.

# Our 'Three Lines of Defence' Model

At SCAus, we manage risk using the Three Lines of Defence model. It is important that we all understand our roles so that we can manage risk in day-to-day operations. Most of us have a 'line one' role.

| OUR FRONT LINE OPERATIONS LINE ONE | SPECIALIST RISK & SME TEAMS LINE TWO | AUDIT LINE THREE |
|---|---|---|
|  |  |  |
| • Almost everyone<br>• Owns and manage risks and responsible for putting controls and mitigating actions in place<br>• Use our risk management tools for assessing risks | • Enterprise risk, safeguarding and work health and safety teams<br>• Own this Risk Management Policy and associated risk tools and processes identified in this policy<br>• Lead and support effective risk management across SCAus<br>• Support our front-line teams to apply strong risk management<br>• Operationally independent from Line 1 | • Audit and Global Assurance<br>• Assess governance, risk management and internal controls are working properly |

# PART 2: RISK FUNDAMENTALS

## What is risk?

Risk is defined as the effect of uncertainty on objectives. It is the possibility that an event will occur and impact our ability to achieve our goals. For example:

| | | | |
|---|---|---|---|
| A cyclone is an event that might stop Maya from travelling by boat to deliver a program in a regional community | A telecommunications outage might stop Dan from processing a sale in one of our op shops | An unknown person interrupting a family outreach session is a potential safety risk. | Use of SCAus funds to pay for private expenses is a fraud risk that has the potential to damage our financial position and reputation. |

We face risks each day, from operational risks such as weather interrupting programs to compliance risks such as not meeting our health and safety obligations. Risks exist all around us in our plans, activities projects and programs. They might be heightened by the environment or context that we are operating in such as irregular and increasing climate patterns or communities affected by conflict or working with partners.

Asking "what if…" or "what could go wrong…" can help you start thinking of potential risks.

## Why is managing risk important?

Our ambition for children means we operate in challenging environments and many contexts. We have a wide range of stakeholders including our clients, supporters and funders/donors who expect us to manage risk well.

Managing risk well helps us achieve our objectives and improve the lives of children, families and communities.

### Managing risk…

| IS | IS NOT |
|---|---|
| ✓ Everyone's responsibility | ✕ Just the risk team's job |
| ✓ A dynamic, continuous and iterative process | ✕ A compliance activity |
| ✓ About identifying and managing current and emerging risks | ✕ Something that we do a few times a year |
| ✓ How we mitigate threats to our clients and operations | ✕ Filling in a spreadsheet |
| ✓ How we best take advantage of opportunities | ✕ A means to prevent all risks |

## Our Risk Themes

We have six risk themes.  For example, operational risk is one theme and can include, but is not limited to, when things might go wrong in safeguarding, business resilience, technology or data.  Our Themes are:

### Strategic Risk

Risks we take to maximise opportunities and our impact for children – for example: expansion and innovation

### Reputational Risk

Risk that might threaten our good standing with clients, funders, donors

### Financial Risk

Risk that might impact our financial solvency, investment or fundraising opportunities

### Operational Risk

Risks that might affect our ability to provide services and continue our operations, including: Safeguarding, Technology, Data and Business Resilience

### People Risk

Risks that might impact our people, including Talent Acquisition and Retention, Conduct and Behaviour and Safety

### Compliance Risk

Risks that we might not comply with legal, regulatory or donor requirements

You can find more information about Risk Appetite and Themes on our [Enterprise Risk Intranet Page](#)

## How do I manage risk?

### The process

The risk management process should be undertaken regularly as it helps us to mitigate threats and take advantage of opportunities.

As part of the process, it's important that scope and context is considered upfront.  This is about knowing what we are trying to achieve and understanding the internal and external environment in which we are operating.  For example, delivering a program in a country where there are proscribed terrorist organisations will demand additional mitigation compared to other countries.  It also includes understanding what is being assessed, for example, a program activity, a new partner, a new business opportunity, or a new technology solution.

At Save the Children, our risk management process involves:

1. Identify
2. Assess
3. Mitigate
4. Monitor and review
5. Report.
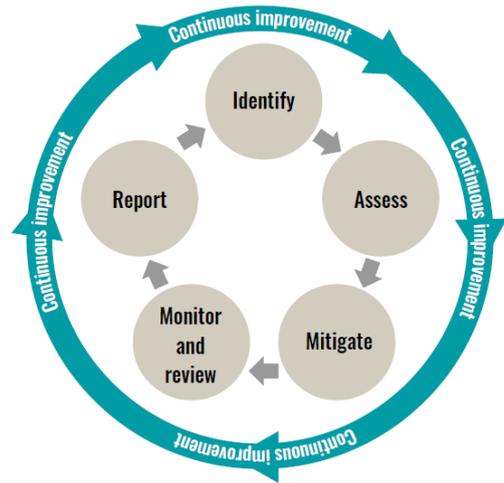


| DO |
|---|

**IDENTIFY**



✓ Identify the risk by asking "what could go wrong?" *e.g. road traffic injury safety incident*

✓ Ask "why or how might this event occur?" *e.g. not wearing seatbelts, driving when tired, speeding, being distracted while driving etc.*

✓ Ask "what could happen next?" *e.g. harm to a child or client or pedestrian, harm to staff, property damage, insurance claim costs, financial loss, reputation damage, fines and costs etc.*

✓ Identify the controls *e.g. driver license, pre-employment screening checks, pre-trip safety plan training, mandatory seat belts etc.*

✓ Document your risk

*e.g. Not wearing seatbelts, driving when tired, speeding, being distracted while driving*

*can cause **risk of road traffic injury safety incident** resulting in*

*potential harm to child or client or pedestrian, harm to staff, property damage, insurance claim costs, financial loss, reputation damage, and fines and costs.*

**ASSESS**



✓ Consider the **likelihood** and **impact** of the risk event. Use <u>Appendix A.</u>

✓ Determine the likelihood of the risk happening. Consider current controls.

✓ Determine the impact if the risk happened.

✓ Determine the risk rating using likelihood and impact. This is based on our <u>risk matrix</u> or for PARTs, assign a risk score.

*e.g. Here, the road traffic injury safety incident risk is rated **Medium** because we said the likelihood is unlikely based on our controls which we know are strong and working properly, and the impact could be severe if it happened.*

**MITIGATE**

✓ Ask if the risk is acceptable? Consider Save the Children's Risk Appetite if unsure

✓ Plan mitigating actions if you need to modify the risk

✓ Seek help from Enterprise Risk if you need it

✓ Implement mitigating actions

**MONITOR & REVIEW**

✓ Review your risk and controls

✓ Monitor your mitigating actions

✓ Confirm that risk and controls are being managed and escalated appropriately

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**Did you know?**

**Controls are the important processes, actions and measures that we put in place to help us manage risk. For example:**

- **Wearing a life jacket helps to prevent drowning**
- **Strong passwords help to prevent unauthorised access to our systems**
- **Monthly bank reconciliations help to detect financial irregularities**
- **Property insurance helps us in the event that we experience major damage**

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## Risk management tools

It's important that risk owners and front-line teams document, contribute to and keep a record of risk assessments using our risk management tools.  This helps make sure our risk management practices are applied effectively and consistently across our operations.  We have two key tools for assessing risk, the SCAus Risk Register and the Proposal and Awards Risk Tool (PART).  The tools are used in different parts of SCAus as outlined below:

| SCAus Risk Register used by | Proposal and Awards Risk Tool* used by |
|---|---|
| ✓  54 Reasons Programs<br>✓  All Business Units (54 Reasons, International Programs, Supporter Engagement, Group Operations, Finance)<br>✓  All States (NSW, NT, QLD, TAS, VIC-SA, WA)<br>✓  All Pacific Country Offices and Region (Papua New Guinea, Solomon Islands, Vanuatu, Tonga, Pacific)<br>✓  Any subsidiary (includes Library for All, Save the Children Impact Fund, Centre for Evidence and Implementation). | ✓  International Programs<br>✓  Pacific Programs |

*This includes the Safeguarding Risk Assessment (SRA) which is required for all Global and Pacific Programs.   Other risk assessments will be required based on context, scope and risks identified in the PART, including but not limited to an Awards Aid Diversion Risk Assessment, a Fraud Risk Assessment/Fraud Control Strategy, a Construction Risk Assessment.   See Save the Children International's Proposal and Awards Risk Tool for guidance.*

# PART 3: RISK MONITORING AND REPORTING

> **Did you know?**
>
> A risk rating measures risk by:
> - its likelihood (the chance of an event happening) and
> - impact (the impact of the risk to objectives should it eventuate).

## When is a risk unacceptable?

**Risk Appetite**

Our Risk Appetite defines the level of risk we are prepared to accept. It is expressed on a scale that ranges from Bold (High Appetite) to Averse (No Appetite) and helps guide us to ensure we operate within our agreed risk tolerance. Where we assess risk is **outside of appetite,** this needs extensive consideration and Executive involvement before making a decision to proceed.

> **What if**
>
> I have received an invoice requesting urgent payment however the amount seems too high and I am not sure that the goods or services have been delivered.
>
> ✕
>
> Save the Children has an averse appetite to financial solvency risk. This means we have **no** appetite for cash loss including through fraud.
>
> *We should not accept or process this invoice until we are satisfied that it is valid.*

## Monitor and review

Risk owners should monitor and review risks at least twice a year. If your risk is critical, review it more. This is one way for the organisation to know if we are operating outside of our appetite.

If we are operating outside of appetite, this prompts the need for additional controls or discussions at Executive and Board level.

> **Did you know?**
>
> Risk appetite defines the amount and type of risk that an organisation is willing to pursue or retain. If something is outside of appetite it requires extensive consideration and Executive/Board involvement before making a decision to proceed.

## Reporting

At least twice a year, the Executive and Board Audit and Risk Committee will review our risk posture through our Enterprise Risk Register.

# APPENDIX

## Rating risks - our Risk Matrix



| | | Rare - 1 | Unlikely - 2 | Possible - 3 | Likely - 4 | Near Certain - 5 |
|---|---|---|---|---|---|---|
| **Impact** | Critical - 5 | Medium | High | Critical | Critical | Critical |
| | Severe - 4 | Low | Medium | High | Critical | Critical |
| | Significant - 3 | Low | Low | Medium | High | High |
| | Moderate - 2 | Negligible | Low | Low | Medium | Medium |
| | Negligible - 1 | Negligible | Negligible | Negligible | Low | Low |

**Likelihood**

| Likelihood | | | | |
|---|---|---|---|---|
| Score | Descriptor | Definition | Occurrence | Probability |
| 5 | **Near certain** | Expected to occur in most circumstances | More than one event in a twelve-month period | > 85 % |
| 4 | **Likely** | Will probably occur in most circumstances | One event in a twelve-month period | 51 – 85 % |
| 3 | **Possible** | Might occur some time | One event in an eighteen-month period | 26 – 50 % |
| 2 | **Unlikely** | Could occur during a specified time period | One event in a three-year period | 10 – 25 % |
| 1 | **Rare** | May only occur in exceptional circumstances | One event in a five-year period | < 10 % |

| Impact | | | | | | | |
|---|---|---|---|---|---|---|---|
| Descriptor | | Reputation | Financial | Operational | People | | Compliance |
| | | | | | Safety & Wellbeing | Safeguarding | |
| 5 | Critical | • Client fatality, child trafficking, systematic child abuse<br>• Severe adverse judgement or criminal prosecution | • Cash loss, including through fraud, of greater than $500k | • Catastrophic event resulting in total disruption to operations<br>• Major cyber-incident or data loss | • Workplace fatality (client, employee, volunteer, contractor) | • An employee, volunteer or contractor charged with a serious criminal offence (e.g. sexual assault)<br>• Systemic child abuse | • Loss of licence to operate (e.g. an ACNC matter)<br>• Breach of anti-money laundering regulations or assets or funds transferred to proscribed groups and parties to a conflict |
| 4 | Severe | • An employee/ contractor investigated for pedophilia<br>• Severe adverse media coverage<br>• Concerted national anti-SC Australia campaign | • Cash loss, including through fraud, greater than $100k but less than $500k | • Loss of Head Office operating premises<br>• Critical system outage<br>• Unplanned protracted shut down of one business unit or provincial office | • Permanent physical/psychological injury or illness<br>• Physical/psychological injury requiring immediate hospitalisation as an inpatient | • Suicide attempt by client<br>• Allegation of sexual abuse or exploitation of an adult or child<br>• Failure to report child abuse<br>• Using an online or face to face setting to groom a child | • Serious litigation resulting in investigation by local regulator or major donor<br>• Reportable incident resulting in investigation by ACNC<br>• Breaches of international sanctions<br>• Reportable Privacy (PII data) breach |
| 3 | Significant | • Negative media coverage contained to local jurisdiction (e.g. country or state) | • Cash loss, including through fraud, of greater than $50k but less than $100k<br>• Loss of financial data | • Loss of State/Country Office operating premises<br>• Delay or inability to deliver high priority project/program<br>• Temporary shutdown of one or more BU, restricted access to offices<br>• Successful IT scam or phishing attempt<br>• Loss of IT systems for an extended period (e.g. 24-72 hours) | • Physical/psychological injury or illness requiring medical treatment | • Self harm by client<br>• Attempted sexual assault<br>• Allegation of severe sexual harassment between adults<br>• Corporal punishment of a child and/or threatening violence | • Significant fines or penalties imposed by regulators<br>• Suspected breach of international sanctions and relevant aid diversion regulations<br>• Localised or contained data/privacy breach |
| 2 | Moderate | • Threat to report to media outlet or via social media<br>• Negative media coverage contained to local jurisdiction (e.g. province or town) | • Cash loss, including through fraud, of greater than $10k but less than $50k | • Loss of Local Office operating premises<br>• Delay or inability to deliver a moderate priority program<br>• Short term reduction in operations (e.g. suspension)<br>• Loss of IT systems for a short period (e.g. 24 hours) | • Injury/illness requiring no medical treatment<br>• First aid only injury | • Low severity allegation of sexual harassment between adults<br>• Providing children with access to alcohol or illicit substances | • Potential legal challenge around similar issues in most BU and/or short-term, low scale/low visibility litigation<br>• Breach of internal policy |

| 1 | Negligible | • Complaint received with insufficient details to enable follow up | • Cash loss, including through fraud, of less than $10k | • Non-critical system outage<br>• Donor displeased with program outcome or minor project/program concerns | • No first aid or medical treatment needed | • Safeguarding concerns/risks identified for inclusion in risk register | • Identification of minor compliance issues |

## Key risk tools

Enterprise Risk Intranet Page

Risk Appetite Statement and RAS Application help sheet

Risk Register Template

Proposal and Awards Risk Tool (PART)

Risk controls library

Safeguarding Risk Assessment and Risk Directory

Workplace Safety Risk Assessments