

LHAK-SAM
The Bhutan Network of People Living with HIV and AIDS
Policy on
Risk Management, May 2016



Lhak-Sam (BNP+)
Changjalu, Olakha
Thimphu, Bhutan
Phone: +975 02 340878
Website: <http://lhaksam.org.bt>

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1. Need for policy on Risk Management

Since its establishment in 2010, Lhak-Sam has been growing in number of staffs, consultants and volunteers, more projects/assignments in hand and with this much larger responsibility in terms of continuing to ensure accountability and transparency of public funds handled by the organization. Hence, the Lhak-Sam Board found it necessary and timely for the organization to have a structured policy on risk management.

2. Scope of the policy

The scope of this policy extends from the Board members of Lhak-Sam to its full and part time staff, consultants, associates and volunteers. This policy is approved and will be applicable prospectively and retrospectively.

3. Policy on Risk Management

3.1 Defining Risk for Lhak-Sam

Risk is defined as the chance of a future event or situation happening that will have an impact upon the organization's vision, mission, goals and objectives favourably or unfavourably. It is measured in terms of consequence and likelihood.

3.2 Objectives of Risk Management Policy

The objectives of Lhak-Sam's risk management strategy are to:

- Integrate risk management into the culture of the organization;
- Manage risk in accordance with best practice
- Anticipate and respond to changing social, environmental and legislative requirements
- Prevent injury, damage and losses and reduce the cost of risk
- Raise awareness of the need for risk management

These objectives will be achieved by:

- Establishing clear roles, responsibilities and reporting lines within the organization for risk management;
- Providing opportunities for organization-wide shared learning on risk management;
- Offering a framework for allocating resources to identified priority risk areas;
- Reinforcing the importance of effective risk management as part of the every day work of employees by offering training;
- Incorporating risk management into strategic and operational planning;
- Incorporating risk management considerations into partnership arrangements and sub-grantee agreements;

- Effective project management and change management programmes; and
- Monitoring arrangements on an on-going basis.

3.3 Types of risks that Lhak-Sam could face

Risks could be strategic and operational in nature. Whereas, at times it may be difficult to draw a clear boundary between strategic and operational risks, they could be broadly defined as:

Strategic Risks: Those risks that are likely to affect the core mandate of the organisation

Operational Risks: Those risks that are likely to affect part of the operations but will not necessarily have an impact on the organization's core mandate, if addressed timely.

Financial risks

Financial risks are those that are related to the fiscal health of the organization. Lhak-Sam is primarily dependent on external donor funding. This may create interim resource constraints, especially when large project(s) come to an end, and project(s) of similar sizes do not come across filling in the gap. This could also include risks related to adverse foreign exchange fluctuations especially when budgets for certain projects have been agreed in foreign currency and Lhak-Sam receives such funds in foreign currency.

Political and legal risks

Lhak-Sam works with sexual minorities and advocates for their rights including but not limited to their right to health. Political and legal discourse related to *The Penal Code 2004* criminalizes sex workers and their clients, and promotion of prostitution including by brothel keeping and soliciting and *Penal Code 2004* Section 213 may move in a direction that may pose risk to the very existence of the organization and its core mandate. Such risks will primarily be strategic in nature and the Board members of Lhak-Sam shall have the responsibility of constantly tracking the discourse and the changes at the national level.

Risks related to discrimination faced by key populations Lack of legal and social sanction (work place HIV policy) results in stigma and discrimination of the sexual minorities and thus enhancing risk of violence and constraint on job opportunities in open markets. Lhak-Sam nurtures an environment of living lives as open and out for HIV infected and affected /key populations in the society. This also makes them vulnerable to discrimination and violence in the society. Closure of projects will lead to unemployment for the community members working in Lhak-Sam, the board of Lhak-Sam will remain committed to protect the employment and work towards addressing issues of discrimination including and not restricted to violence of the community persons within Lhak-Sam.

Operational Risks

Lhak-Sam could face a range of operational risks, which if not addressed timely could become strategic. Such risks may include but not be limited to high management staff turnover, theft of data and confidential information related to the organizational, misuse of sensitive and confidential personal data related to service seekers; and various forms of fraud and corruption ([link to Fraud policy document](#))....

3.4 Assessing Risks

- a. All risks shall be assessed and recorded in the **Risk Register** template furnished in para 3.5.5 of this policy document.
- b. Risk Assessment shall be undertaken within Lhak-Sam at three stages:
 - i. Along with each strategic plan of the organization – this will primarily be strategic in nature and will be included as a part of the overall Strategic Plan.
 - ii. Annually by the RMC (EC) and finally reviewed by the Board
 - iii. On an ongoing basis during the internal monitoring exercises.

3.5 Managing and Monitoring Risks

Risk Management encompasses risk assessment plus the evaluation of risks against established tolerances, their treatment and monitoring.

The **Internal Audit** program of Lhak-Sam must be aligned to the organization's risk profile and is responsible for providing independent assurance in relation to the effectiveness of processes to manage particular areas of risk. The scope of internal audit's risk-based program is agreed to as part of an annual plan which is refined as necessary.

The **Board of Lhak-Sam** recognizes that it has the responsibility to manage risks and support a structured, systematic and focused approach to managing them. In this way it will:

- Demonstrate effective governance
- Better achieve its objectives
- Enhance the value of services it provides to the communities

3.5.1 Role of the Board in Risk Management

- a. Ensure that Strategic Plan of the organization includes an assessment of risks and strategies to reduce them.
- b. Review and approve the annual Risk Management Matrix
- c. Assess strategic organizational risks in its regular Board Meetings
- d. Review Risk Register and take stock of unresolved / unaddressed risks, if any.
- e. Intervene to address risks as and when asked for by the Risk Management Committee.

3.5.2 Risk Management Committee

- a. Lhak-Sam shall have a Risk Management Committee (RMC)/EC which shall be headed by the Executive Director (ED).
- b. Members of the RMC shall include:
 - Head of the RMC/EC (ED)
 - All Department Heads
 - All Programme Heads
- c. Functions of the RMC:

RMC/EC shall perform the following functions:

- Be responsible for ensuring that risks are identified, analysed, evaluated and mitigated.
 - Be responsible for developing a sustainable control environment to manage significant risks and champion the implementation of risk management processes within the day-to-day operations of Lhak-Sam.
 - Monitor and report on material risks identified through the internal and external audit process.
 - Develop the Annual Risk Management Matrix.
 - Develop response strategies to identified risks on an ongoing basis.
 - Implement the risk response strategy and plan.
- d. A formal meeting of the RMC/EC shall be held every six-months with the following standard agenda:
 - Review the Annual Risk Management Matrix
 - Assess any new risks that may emerge
 - Update the Annual Risk Management Matrix and submit the updated matrix to the Board of Trustees.
 - Any other business
 - e. All meetings of the RMC/EC shall be documented and filed.

3.5.3 Protocol for intimation of perceived risk

- a. Risk assessment and management is not the exclusive function of either the Board of Trustees or the RMC/EC.
- b. Every single employee and volunteer of Lhak-Sam shall own this responsibility.
- c. On observation of anticipation that a particular situation may pose a direct or indirect risk to Lhak-Sam of any kind, it shall be the duty of the concerned employee or volunteer to file a **Risk Intimation Text (RIT)**.
- d. A RIT needs to be addressed to the Head of the RMC/EC.

- e. The RIT could be in form of an email communication or confidential letter or through one-to-one communication.
- f. It will be the responsibility of the Head of the RMC/EC to document the RIT if it is received through verbal communication.
- g. Within not more than 48 hours of the receipt of a RIT, the Head of the RMC /EC shall acknowledge the RIT.

3.5.4 Protocol for managing risks

- a. For all risks brought to the notice of the organization through a RIT, the Head of the RMC/EC shall ensure that same is circulated to all the members of the RMC/EC within not more than 48 hours.
- b. Once the communication is circulated to all the RMC/EC members, depending on the nature of risk as assessed by the Head, the Head shall take the lead in facilitating a consensus opinion (on phone or through email communications or through meetings of members physically available – (whatever is convenient) on whether the risk(s) mentioned in the RIT is worth taking cognizance of and logging it into the Risk Register or could be discarded.
- c. Through the process mentioned in para 3.5.4 (b) above, if a risk is taken cognizance of, in consultation with the RMC/EC members, the Head of RMC /EC or his authorized representative shall take the lead in determining a plan of action for gaining a better understanding of the risk and developing a reduction/mitigation strategy.
- d. The plan of action will be monitored closely by the Head of the RMC/EC.

3.5.5 Risk register

- a. The RMC/EC shall ensure maintenance of a Risk Register at all times.
- b. The Risk register shall be maintained in the following format:
- c. Each risk shall be rated against its likelihood of occurrence and severity of impact on the organizations core mandate and on operations.
- d. Risks with maximum rating score shall be accorded the highest priority.

No.	Risk	What is likely to happen if this risk is unaddressed	Strategic (S)/ Operational (O)	Likelihood of occurrence* (L)	Severity in terms of impact** (S)	Risk Rating (R) = L x S	Date of identification	Focal person responsible	Current status	Updated by/on
	*Value of L	1 for least likelihood, 5 for highest likelihood								
	**Value of S	1 for least severity, 5 for highest severity								

Risks with maximum Risk Rating Score shall be accorded the maximum priority

- e. The Risk register shall be updated by a designated department at a frequency deemed necessary for a particular type of Risk.

3.5.6 Risk impact report

- a. For all risks with rating 12 and above, it is recommended to have a Risk Impact Report at a frequency deemed appropriate by the RMC/EC.
- b. Risk Impact Report shall be prepared by the designated Focal Person responsible for that addressing that risk.
- c. The Risk Impact Report shall contain: details of risk, date of identification, assigned risk rating, actions taken, and next steps, strongly including the additional support sought from the RMC/EC or the Board.

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