BACKGROUND AND RATIONALE

Risk refers to the uncertainty that surrounds future events and outcomes. It is an expression of the likelihood and impact of an event with potential to influence achievement of an organisation's objectives. Hence risk is:

- Anything that could prevent the achievement of a corporate objective
- Anything that could negatively impact on the interest of stakeholders

Risk is measured in terms of likelihood and consequence. While risk is an exposure to the chance of a loss, risk is not inherently bad and any one has to take risks to operate a successful entity. The important thing is to ensure that the entity takes calculated risks, which reduce the likelihood that a loss will occur and minimises the impact of the loss should it occur.

CSOM's management needs to provide the Country Leadership Team (CLT) and other key internal and external stakeholders (CUSA ECSA RMU, AMS and donors) with reasonable assurance that its business is adequately controlled, sustainable and will be successful in the longer-term. To achieve this, CSOM must focus more on its ability to anticipate risks, rather than reacting to risks that have already crystallised, and whose impact is therefore reflected in the current or historical performance outcomes. The focus on future risks provides a better predictor of long-term success.

In this regard, the Senior Management Team (SMT) has set up mechanisms to ensure that:

- All material risks that could adversely affect the achievement of CSOM’s strategic and operating goals and objectives are continually recognised and assessed.
- CSOM has implemented an effective system of internal control designed to:
  - Identify the relative risks of each area of activity;
  - Assist the company to focus appropriate attention in terms of time and resources on the higher risk issues.

CSOM cannot completely eliminate its exposure to risk; any effort to do so would be prohibitively expensive, probably beyond the potential losses that it would be seeking to mitigate. Consequently, CSOM will seek to strike an appropriate balance between the 'cost' of the risk, as a product of likelihood of occurrence and financial impact if the risk crystallised, and the cost of the actions instituted to respond to the risk.

Risk management is an on-going process because vulnerabilities change over time, and vary significantly depending on the institution’s stage of development; as well as operating environment and context. Consequently, CSOM should conduct, at the very least, an annual risk assessment exercise.

Key to fulfilling the responsibility of providing reasonable assurance to stakeholders that CSOM’s business is adequately controlled; is the development of a comprehensive system of management controls, accounting and internal controls, security procedures, and other risk controls. Sound policies and procedures clearly instruct employees how to conduct transactions and incorporate effective internal control measures.

OBJECTIVES OF THE RISK MANAGEMENT POLICY

To ensure that

- CARE Somalia/Somaliland has a strategy for identifying and measuring its internal and external risks;
- The risk management strategy is supported by controls to mitigate the risks; and responsibility assigned for implementing and testing the effectiveness of the controls.
POLICY GUIDELINES

1. Risk Management is a key responsibility of management. To achieve its business objectives, management should ensure that sound risk management processes are in place and functioning.

2. The Country Leadership Team (CLT) has responsibility for oversight of risk management within CSOM by determining that appropriate risk management strategies and policies are in place and that these processes are adequate and effective.

3. **Country management** will form a Risk Management Committee that will identify, assess, prioritise and formulate appropriate responses to the risks. The assessment will determine the degree of risk to be tolerated by CSOM. In formulating the risk management strategies and policies, the Risk Management Committee will determine whether risks will be avoided, **shared with 3rd Parties** (through, say, insurance, working in consortia, etc.) controlled through an appropriate internal control framework, or accepted.

4. The CLT will approve the risk assessment and management strategies, policies and control procedures.

5. The risk management processes will be required to ensure that:
   - Risks arising from business strategies and activities are identified and prioritised.
   - Management and the CLT have determined the level of risks acceptable to CSOM, including the acceptance of risks designed to accomplish the entity’s strategic plans.
   - Risk Management activities are designed and implemented to reduce, or otherwise manage, risks that are determined to be acceptable to Management and the CLT.
   - Ongoing monitoring activities are conducted to periodically reassess risk and the effectiveness of controls to manage risk.
   - The CLT and Management receive periodic reports of the results of the risk management processes.
   - There is periodic communication of risks, risk strategies, and controls to Stakeholders

6. **The Central Risk Management Committee shall** consist of the SMT (the Country Director, the Assistant Country Director, the Finance Director, the Emergency Director, the Programmes Support Director, the Programmes Quality Director, the Head of Human Resources and the Security Advisor) and any other member nominated by the Country Director.

7. The Central Risk Management Committee shall meet quarterly to take stock of the extent to which controls/mitigating tactics contained in the risk register have been implemented.

8. **The Central Risk Management Committee shall** delegate to regional risk management committees whose membership shall include the Heads of Office. Area Managers, Programme Managers and Programme Support Managers in those locations as shall be determined by the Central Risk Management Committee. **The Regional Risk Management Committees shall** meet on a monthly basis.

9. The Risk Management Committees will implement a risk review, assessment, and management process comprising:
   a. Identifying, assessing and prioritising the current and future vulnerabilities in the short, medium and longer-term.
   b. Quantifying the potential exposures / vulnerabilities in terms of:
      - Likelihood of occurrence;
• Impact in the event of crystallisation.

To achieve the above, management identifies key indicators and ratios that can be tracked and analysed regularly to assess the CSOM's exposure to risk in each area of operation. Management sets acceptable benchmarks for each indicator and determines the frequency with which each indicator should be monitored and analysed.

c. Designing and implementing appropriate procedures and operational guidelines to respond/mitigate each risk to the degree required. The range of responses to the identified risks may include:
   • Designing appropriate controls to mitigate the identified risks;
   • Transferring risks to 3rd parties via, say, insurance;
   • Disengaging from the activities or locations that may be considered to be inordinately risky;
   • Choosing to 'carry' any element of residue risk that cannot be eliminated/controlled by any of the three methods above.

d. Implementing cost-effective controls and assigning responsibilities for overseeing implementation of controls. Ideally, each major risk area should have an identified ‘risk owner’ responsible for managing and monitoring the identified risks for his/her area.

e. Monitoring the effectiveness of controls instituted to mitigate identified risks. The CLT and Management review operating results, etc., to assess whether the current policies and procedures are having the desired outcome and whether CSOM is adequately managing risk. Monitoring may be weekly, monthly or less frequent depending on the likelihood/impact of vulnerability.

f. Determining whether, arising from the oversight and evaluation process, there is need to revise the risk management strategies, policies and procedures to address new risks or enhance control measures.

10. The specific duties of the Risk Management Committee will include:

   a. Recommending to the CLT for approval, risk tolerances based on an assessment of risks if not controlled.
      i. Identify key indicators and ratios that can be tracked and analysed regularly to assess CSOM's exposure to risk in each area of operation.
      ii. Set the acceptable range for each indicator, outside of which would indicate excessive risk exposure.
      iii. Determine the frequency with which each indicator should be monitored and analysed.

   b. Develop sound procedures and operational guidelines to mitigate each risk to the degree desired.

   c. Select cost-effective controls and seek input from operational staff on their appropriateness and assign managers to oversee implementation of the controls and to monitor the risks over time.

   d. Review the operating results to assess whether the current policies and procedures are having the desired outcome and whether CSOM is adequately managing risk and report results to the CLT. Results may suggest a need for some changes to policies and procedures and possibly identify previously unidentified risk exposures. In these cases, management will design new risk control measures and oversee their implementation. After the new controls are implemented, management will test their effectiveness and evaluate the results.
11. The Audit, Risk and Compliance Manager will lead the process of documenting the Risk Register. Thereafter, the Risk Management Committee will assume the responsibility for ensuring effective implementation and monitoring of the effectiveness of the Risk Register and providing appropriate feedback to the CLT and other stakeholders.

12. Internal Audit will neither assume responsibility nor ownership of the day-to-day management of risks. The two responsibilities are vested with the SMT and operating management. Internal audit will however, be required to perform appropriate reviews and provide management with an independent opinion on the application and effectiveness of policies, procedures and controls designed to mitigate risks.

13. The Country Director will approve of the risk assessment and management strategies, policies and control procedures.

Signed: ____________________________

Country Director: Rahsel Nazir Chaudhary

Date: Effective from October 01 2016