GOVERNMENT OF SIERRA LEONE

NATIONAL COMMISSION FOR SOCIAL ACTION

(NaCSA)

NaCSA Risk Management Policy and Framework

1. Purpose

The purpose of this Risk Management Policy and Framework is to establish a consistent approach to managing risk at the National Commission for Social Action (NaCSA). This policy sets the requirements and responsibilities for all staff and emphasises that the management of risk and reporting on risk is everyone's responsibility. This approach is referred to as Organisation/Enterprise Risk Management – the management of all aspects of risk while pursuing opportunities across the organisation. Its aim is to ensure a greater consistency of informed management decision making and the subsequent alignment of management and operational resources.

2. Scope

This policy and framework is applicable to all NaCSA staff and management processes, including:

- Strategic and Business Planning
- Business Development
- Assets Management
- Financial Management
- Project Management, and
- Any other area of management decision making

In applying the policy and framework across management disciplines, it is intended that all important business risks are captured including operational, environmental, sustainability, compliance, strategic, ethical conduct, reputation or brand, technological, product or service quality, human capital, financial reporting and stakeholder-related risks.

e. Communication and monitoring

Communication and monitoring of the risk management process involves requires NaCSA Senior Management to measure, monitor, and communicate the effectiveness of the risk response strategies based on their risk appetite or tolerance levels already defined and agreed upon. All possible key risk indicators deemed appropriate for NaCSA ought to be considered.

5. Framework Overview

The core elements of the Risk Framework include:

- Risk Appetite – A statement formed by management and agreed with the Board.
- Risk Metrics – Key Risk Indicators associated with our core objectives.
- Risk Reporting – The requirements for business unit and Executive risk reporting.
- Risk Assessment – The requirements for business unit and Executive risk assessment.
- Risk Controls – The core set of internal controls established to manage business risks.

There is need for a two-way flow of information up and down the organization. The Commissioner, with assistance from the Senior Management Team plays a crucial role in consolidating information at the enterprise level for Board reporting and endorsement. There also is a key role for Internal Audit in providing assurance to the Board that material risks are within our defined Risk Appetite. The Board has the ultimate responsibility for approving the Risk Appetite within which we pursue our strategic objectives.

6. Risk Appetite

NaCSA's "appetite" for risk is documented via a Risk Appetite Statement (RAS) (attached as an appendix). The RAS is prepared by management and approved by the Board and its intent is to communicate to all staff the Board's expectations of acceptable risk-taking by staff in their day-today roles. It covers the extent of risk we should take in pursuing our objectives as well as documents risk tolerances for other areas of material risk such as safety, reputation and compliance. Any risk identified as High or Extreme should be reported to the Executive for further analysis and, if warranted, development of risk treatments in conjunction with Business Unit managers.

b. Risk identification

Under risk identification, NaCSA should identify major risks likely to negatively impact NaCSA's key success factors, including the financials. It is the role of Senior Management to evaluate each of these risks identified. The Director of Finance takes more onerous to identify major risks that are likely to negatively impact NaCSA's overall financials.

c. Risk assessment

Risk assessment requires that NaCSA carefully looks at each high-profile risk identified and determine the likelihood and impact of these risks. The results of the risk assessment could be mapped in a matrix form for ease of reference as shown below:

Risks categorized in the bottom left are assumed to be of low impact and low probability of occurrence and thus should be accepted.

Probability of occurrence of risk

Reduce: Actions taken to reduce exposure to the risk	**Avoid:** The risk must be avoided entirely
Accept: The risk can be taken	**Transfer:** The risk must be shared with other parties

The impact of risk

Risks categorized at the top left are said to be of low impact but with high probability of occurring. Management should take actions that could reduce these risks from occurring.

Risks placed in the bottom quadrant should be transferred and the risks placed at the top right quadrant should be avoided as it has higher impact and higher chances of occurring.

d. Risk response

For risk response, NaCSA Management should define its risk tolerance and based on this risk appetite, appropriate actionable risk management strategies are then selected and acted upon.

Once the discussion and acknowledgment of the potential risks are finalized by upper management, executives will consider an optimal risk response strategy.

3. Policy

NaCSA recognises the value a more formal approach to risk management brings to an organisation. We recognise each staff member, contractors and other stakeholders manage risk every day with very little support or formal framework and/or knowledge of the processes and systems to do so. However, we also recognise managing the complexity of organisations in modern day life has become increasingly challenging and that a more formal approach to management of risk brings immediate benefits in the form of:

- increased likelihood of achieving our corporate objectives
- increased stakeholder confidence and trust
- improved operational effectiveness and efficiency
- improved resource planning
- more confident financial management
- greater ease of general compliance which include internal controls, and
- 'less surprises' for staff, management and the Board

The reason that these important core benefits are realised through improved management of risk is because our risk processes enhance all of our ability to make decisions under varying levels of uncertainty. The greater the uncertainty and the more important the decision the greater the benefit of a risk-based approach to decision making. In the framework that follows our formal processes, roles and responsibilities are articulated so all of us can gain the benefit of enhanced insight into our decision making.

4. The Risk Management Process

(Module 6 PRINCE2 Risk theme can be used to populate this DoF and SDSS)

The Risk Management Process

NaCSA's risk management process starts with identifying and mitigating the risks that can pose problems for the its operations. For NaCSA to ensure financial security for its operations, Management should be able to actively identify and reassess the major risks that could stop NaCSA from achieving its mission, through following the five specific elements of the risk management process listed below:

a. **Strategy/Objective setting**

The strategy and objective setting require understanding NaCSA's strategies at all levels and their associated risks. NaCSA Management should clearly pinpoint the key drivers for growth. This may include strong management team, increase in government counterpart funding, increase in administrative budget support, etc.

The key consequence categories for measuring risk at NaCSA are:

- Safety – Physical and psychological impacts on NaCSA staff and contractors and visitors to NaCSA operations.
- Reputation – The affect on NaCSA's reputation with its key stakeholders that could subsequently impact NaCSA's ability to outperform against business objectives.
- Financial – Any impacts whether to revenue, costs, loss of capital or loss of opportunity.
- Organisational Objectives – Constraints, restrictions and blockages to achieving business objectives. The likelihood criteria are designed to provide granularity to the risk criteria so that Strategic and Business Unit operational risks can be prioritised based on risk level and that only rarely occurring incidents that may have a catastrophic impact are acceptable and only if appropriately monitored with contingency plans in place. An example is the risk of a pandemic which, although a rare event, has the potential to have a catastrophic impact on the organisation.

7. Risk Metrics

Risk Metrics are Key Risk Indicators (KRIs) derived from Strategic and Business Unit risk profiles that are used to measure whether risks to our corporate objectives or areas of material risk are tracking within risk tolerances outlined in the Risk Appetite Statement approved by the Board. Management is responsible for putting into place processes and systems for developing, measuring and reporting on KRIs.

8. Risk Reporting

Risk reporting is required to keep management informed as to whether risks to our corporate objectives or areas of business risk are tracking within risk tolerances as well as the progress on risk treatments agreed for managing material risks to the business. Business Unit Reporting to the Executive and from the Executive to the Board is required quarterly in a format equivalent to the Quarterly Risk Report attached in the appendix. In addition, all Extreme and High Risks are to be reported on in monthly management meetings. A sample Meeting Agenda is attached in the appendix.

This includes the need for the Board to satisfy itself that:

- Management have a framework in place for managing risk that is suitable for the size, business objectives and overall complexity of NaCSA's operations.

- The risk appetite of the organisation has been appropriately set and has been communicated to all levels of management responsible for assessment of business risks.

a. **The Commissioner** has ultimate responsibility for the implementation of the Risk Management Policy and Framework and is accountable to the Board. The Commissioner is also responsible for actively pursuing a risk management culture where staff appreciate ***that the management of risk is not about compliance and that risks are proactively assessed and reported and effective risk treatment strategies implemented.***

b. **The Senior Director Support Services (SDSS)** is responsible for the maintenance of the Risk Management Policy and Framework and for ensuring staff are provided with access to risk management resources to provide advice and expertise as required.

c. **Senior Directors and Managers** are responsible for identifying and prioritising material business risks and reporting on those risks to the Commissioner who then escalates these to the Board. Senior Directors and Managers are also responsible for implementation of the Risk Management Policy and Framework within their business units.

d. **The roles of Risk Manager (RM) and Compliance Manager (CM)** are subsumed into that of the **SDSS** who will work with **the Director of Administration and Human Resources**, with the following responsibilities:

i. The Risk Manager is responsible for ensuring the Risk Management Policy and Framework is fit for purpose and for supporting management and staff in its implementation. The Risk Manager is also responsible for facilitating an unimpeded flow of quality risk information throughout the Commission.

ii. The Compliance Manager is responsible for ensuring all NaCSA corporate policies are suitable and current and meet all regulatory and organisational needs. The Compliance Manager is also responsible for maintaining a Compliance Register and a Compliance Calendar to ensure key review and reporting timelines are adhered to.

iii. **Individual Staff** are responsible for assisting in the identification and management of business risks to the Commission and for facilitating the flow of risk related information across the Commission.

12. Assurance

The Senior Management Team is responsible for affecting a review of the Risk Management Policy and Framework on an annual basis, which the Commissioner will escalate to the Board. The review may be conducted by Internal Audit and will include:

Assessment of changes to NaCSA's business size, objectives and complexity of operations.

- Review of the extent to which material business risks are being managed within the Risk Appetite approved by the Board.
- Review of the adequacy of Risk Reporting.
- Review of the adequacy of the Business Unit and Strategic Risk Profiles.
- Review of the application of key internal controls and the implementation of key treatment strategies.
- Review of the adequacy of risk management resourcing and the performance of key risk management personnel.
- Review of the structure and key elements of the Risk Management Framework.
- Confirm that material changes to the Risk Management Framework have been approved by the Board and noted by Internal Audit.

National Commission for Social Action (NaCSA) Risk Appetite Statement

The Board and Management are custodians of the interests held by our key stakeholders including all the operations entrusted us by our government and key donors, the livelihood of our staff and the success of our customers and suppliers. We therefore, seek to balance our risk position between:

- Engaging in productive social protection-related economic and development work activities that may drive substantial growth in the demand for our products and services, and
- The need to remain a stable organisation with the capacity to continue to grow as social protection floor opportunities present themselves.

Therefore, our risk appetite is necessarily towards the middle of the risk-taking spectrum. Depending on our results from year to year, we may choose to increase or decrease our appetite for higher risk activities.

The table below provides further explanation of our risk appetite with respect to our strategic objectives and areas of business risk to our operations:

Key Performance Area	Risk Appetite Description
Reputation	Our reputation for integrity and competence should not be compromised with our key stakeholders, employees, contractors and donors. There should be no incidences of major breaches of our integrity. Staff and our partners should be frequently reminded that we have a zero tolerance for fraud, corruption, facilitation payments or payments for any other related social protection activities which we carry out.
Marketing – Increase coverage for social protection services through informing and motivating target beneficiaries to engage in productive social safety nets programmes and aim to move out of SSN programmes.	We desire NaCSA to continue being the national voice of the Social Protection floor. We will pursue aggressive, resource mobilisation strategies on a case-by-case basis, targeting both traditional and non-traditional donors. However, our marketing should always be well within ethical boundaries established under accepted Sierra Leone government regulations of engaging with international partners.
Performance Measurement	As we have so many beneficiaries relying on us and we are entrusted with government and donor funds, we must have a strong focus on performance measurement and management. We aim to score highly in our delivery of social protection services at our end of year performance reviews across all elements of our review.
Operational efficiency	Efficiency is a very high priority to maximize our ability to pursue our corporate goals. Furthermore, efficiency is within our control and hence should be a strong focus for all staff. This will be augmented through continuous self-development programmes.
Workplace health and safety	There is no reason for anyone associated with our business to take safety risks other than those normally associated with coming to and from work. Guided by the draft national Occupational Health and Safety Policy, NaCSA endeavours to address this aspect of its risk appetite statement soon.

Regulatory compliance	We have a very low tolerance for compliance breaches. While minor breaches may occur from time to time due to the complexity of business, there should be no excuse for substantive breaches at any time.
Financial	NaCSA should continuously monitor its financial risks and ensure appropriate measures are taken to address them, should they arise. These risks may include: • poor credit ratings by donors, leading to less donor funds to be provided to NaCSA as grants or loans • Potential risk of theft or damages of any of the assets • Risk of unexpected higher expenses, resulting from inaction of management • Risk of delays for counterpart and donor funds not provided for the Commission's operations in time • Financial losses incurred as a result of failed or weak internal processes, controls, weak staff and systems, such a avoidable mistakes on transactions leading to loss of money and/ or property. Senior Management needs to provide strong oversight on the risk management process, so as to ensure all possible financial risks are kept to the minimum. ***SDSS and DoF to complete this***