



RISK MANAGEMENT POLICY AND PROCEDURES MANUAL

WARRIOR SQUAD FOUNDATION (WSF)

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FOREWORD:

This risk management policy manual is aimed at enabling Warrior Squad Foundation to manage risks prudently to protect the value of the Organisation while at the same time being able to take advantage of opportunities to empower local marginalized and vulnerable persons to improve their wellbeing in Uganda. It establishes a clear guide to the Management and Staff for making decisions.

It is 'strictly' an internal document and therefore not for external use. Contents in the manual are subject to amendment

I.0 OVERVIEW OF WARRIOR SQUAD FOUNDATION

Warrior Squad Foundation (WSF) is a non-profit making Non- Non-Governmental Organization registered in Uganda (Reg S.5914/9342 & certificate No: 8871) in 2011, aimed at fighting for the rights of children, youth, and communities who suffer from poverty, disease, injustice, and violence through working with them to find lifelong answers to the problems they face.

Vision

WSF envisions a peaceful, just world free from poverty

Mission

Empower poor and marginalized people to overcome poverty and its injustices.

Our values:

Respect for Humanity; WSF does its business in an optimal and credible way and must ensure that there is dignity and a human face in all its actions

Transparency and Accountability; WSF is responsible for the way it utilizes and accounts for the resources under its care, with a track record and acts with the highest level of transparency.

Integrity; Integrity and trust underpin everything we are and everything we do—in our relationship with customers and colleagues; in data collection, analysis, and research we undertake every day; and in our commitment to privacy, confidentiality, and security of information.

Collaboration: our best work comes through a collaborative approach, leveraging the experience, expertise, and creativity of our partners.

Excellence; we are guided by the highest ethical, professional, and statistical standards in integrating, analyzing, and disseminating the data and information we gather.

Innovation: At WSF, we are committed to a culture of innovation to deliver the highest quality services, advice, and produce to our clients.

2.0 RISK TERMS AND DEFINITIONS

Term	Definition
Risk	The potential that events, expected or unexpected, may have an adverse impact on WSF capital or earnings.
Risk Driver	Causal factors that result in risk occurring
Risk Event	Are undesirable outcomes
Risk Management	The process of controlling the likelihood and potential severity of a risk event or a systematic approach to identifying, measuring, monitoring and managing business risks
Risk Management Framework	A guide to designing an integrated and comprehensive risk management system that enable WSF focus on the more important risks
Risk Indicator	Relevant measure that quantifies level of risk
Risk Owner	Person responsible for managing the risk
Exposure	A condition or set of circumstances where a risk event could result in a loss
Risk Likelihood	The chances of a particular risk occurring. This may involve considering how frequently the risk is likely to occur.
Risk Impact	The severity or consequences to WSF if the risk actually occurred, in particular, the impact on areas such as organisational continuity, human and financial resources, the community, the environment, reputation, legal and political implications.
Inherent risk	Nature of work that the organisation is involved in has risks arising out of dealing in such a business activity.

3.0 RATIONALE FOR RISK MANAGEMENT

This policy establishes the processes for the management of risks that are faced by WSF. The aim of management is to maximise opportunity in all of WSF's activities and to minimise adversity. The policy applies to all activities and processes associated with the normal operation of WSF's activities.

WSF is faced with a number of risks that have the potential to negatively affect the organisation, and hence a need to develop a risk management policy to address the risks that the Organisation faces.

The broad aim in setting up the risk management policies and procedures manual is to determine the principles and procedures for risk management in WSF and also establish mechanisms for identifying, assessing, monitoring, and controlling current or potential risk exposures. This will ultimately lead to institutionalising risk management into the Organisation's corporate culture, better financial performance of WSF, and enable the organisation to attract more funding from potential investors.

Better information on potential consequences, both positive and negative, will help management identify and assess new market opportunities, foster continuous improvement of the existing operations, and more effectively align performance incentives with the WSF strategic goals.

The risk management framework allows management to quantitatively measure risks to optimally allocate resources and meet the WSF liquidity needs.

The systematic process for evaluating and measuring risks will enable the timely identification of problems before they become larger, leading to a drain on management time and resources.

The risk policy and procedures manual will specifically provide the following:-

- a) Define the principal risks faced by the organisation
- b) Provide the framework for addressing the risks
- c) Define the elements of the risk management process
- d) Define the responsibilities of the various parties in the risk management programme
- e) Provide guidance for institutional risk-based reporting and management.

The intended outcomes of implementing this Risk management policy will include:

- a) Insofar as is reasonably practical, workers, partners, beneficiaries will not be put at risk by work carried out by WSF

- b) WSF will be protected from adverse incidents, reduce its exposure to loss, and mitigate and control loss if that should occur
- c) WSF will have ongoing unimpeded capacity to fulfil its mission, perform its key functions, meet its objectives, and support its intended beneficiaries
- d) The cost of risks to WSF and its funders will be reduced.

4.0 RISK CATEGORIES

Current and potential risks faced by WSF are both internal and external. These include:

4.1 Liquidity risk

This is the inability by WSF to meet its financial obligations as and when they fall due.

4.2 Foreign Exchange risk

This is the possibility of loss in earnings due to fluctuations in the relative values of currencies affecting the competitiveness and viability of WSF.

4.3 Interest rate risk

This is the potential loss to earnings due to unfavourable changes or movements in market interest rates.

4.4 Operational risk

This is the potential loss due to deficiencies in internal operating policies, systems, processes, and procedures.

4.5 Strategic risk

This is the risk to WSF for failure to meet strategic objectives due to governance-related challenges, failure to implement the strategic plan, and misalignment of business and strategic plans.

4.6 Governance Risk

This is the risk of having an inadequate structure or body to make effective decisions.

4.7 Reputation Risk

This is the risk arising from negative public opinion, which may affect an institution's ability to sell services or its access to donor funds.

4.8 Systemic Risk / Market Risk

This is the risk to WSF resulting in loss due to market distortions that negatively affect the performance of the entire industry of Non-Government Organisations. Market distortions may include economic depressions, inflation, donor fatigue, unemployment, and an unfavourable legal framework.

4.9 Regulatory and Legal Compliance Risk

This is the risk arising out of violations of or non-conformance with the laws, rules, and regulations, prescribed practices, or ethical standards.

5.0 RISK MANAGEMENT FRAMEWORK

5.1 General Principles

- a) The risk identification, assessment and prioritisation will be carried out by staff and management.
- b) The Executive Director of WSF has the overall responsibility of overseeing effective risk management in WSF, designing, revising and approving risk management policies and procedures.
- c) The Management and staff of WSF implement monitor and report on risk policies and procedures.
- d) The risk management process will be proactive and dynamic with periodic changes made to ensure that the risk management policies and procedures match the varying risk profiles, exposures and changes in the market over time.
- e) Risk management will be incorporated in the corporate aims, objectives, strategic and business planning to ensure that WSF adequately takes advantage of existing opportunities while at the same time not significantly undermining its existence and viability.
- f) The risk management process will involve a systematic approach to identifying, measuring, monitoring and managing the risks faced by WSF.

5.2 Risk Management Process

The risk management process will comprise of majorly six major steps which are:-

- Identifying, assessing, and prioritising risks.
- Developing tools/strategies to measure risks.
- Designing and implementing policies and procedures to mitigate risks.
- Assigning responsibilities to Management and Staff in risk management.
- Testing effectiveness, monitoring, and evaluating risk management results.

- Revising risk management policies and procedures where necessary.

5.2.1 Risk identification and assessment

The identification and assessment of risks will be carried out on a regular basis and reported to Senior Management on a quarterly basis.

Factors to consider will include: inherent level of such a risk occurring, the risk events, the inherent risk trend, adequacy of risk measurement, monitoring processes and tools, quality of risk management practices, and controls for such risks.

The risks are then prioritised according to their potential to negatively impact WSF. Risks with a higher potential negative impact will be given higher priority. However, Risks with a higher potential positive impact should also be considered as opportunities for the organisation to thrive.

The COSO Framework provides three categories of objectives that allow organisations to focus on differing aspects of risks and associated internal controls required to mitigate them:

Operations objectives: this relates to the effectiveness and efficiency of the WSF's operations, including operations and financial performance goals, as well as safeguarding assets against loss.

Reporting Objectives: these pertain to internal and external, financial and non-financial reporting and may encompass reliability, timeliness, transparency, or other terms as may be set forth by donors or regulators, recognised standard setters, or WSF's own policies and procedures.

Compliance objectives: this pertains to contracts, laws, and regulations to which WSF could be subject.

A focus on the above three areas by WSF will reveal many of the risks that would affect the organisation.

5.2.2 Risk Measurement

The measures of particular risks are provided for in the respective policy and procedure manuals. Management shall establish mechanisms for measuring and monitoring the risks outlined in this manual. Management will agree on key indicators to be tracked in each area of operation. Management shall set risk tolerance limits for these risks beyond which it is deemed to be excessive exposure.

5.2.3 Risk management

Once the risks are identified and assessed, a range of options to manage the risk will be considered and assessed before preparing treatment plans and implementing them. The risk management strategies will be determined based on the likelihood of occurrence of the risk and the impact the risk creates once it occurs as follows;

a) Retain/Accept the risk

This option will be chosen if the risk is within the tolerance limits set by the organisation and the costs of managing the risk are outweighed by the potential benefits of tolerating the risk.

b) Treat/Control the risk

This option will be chosen once the risk is above the tolerance limit and there is need to manage the risk. The aim of this risk management strategy is to work on the risk to bring it to acceptable limits for the risk.

c) Transfer the risk

This strategy will be used where there is a third party that can take on part or whole of the risk and the benefits of transferring VSF the risk outweigh the transfer VSF costs. The risk could be transferred VSF to insurance.

d) Avoid/Terminate the risk

This strategy will be used when there is need to eliminate the risk all together after it is proved that the costs and impact of not immediately eliminating the risk would be devastating to VSF.

As a guideline, as severity or impact and frequency or probability increases there should be shifting from accepting the risk to transferring VSF and ultimately avoiding the risk.

The table below helps determine the degree of risk mitigation the organisation should consider.

Table I: Risk Dimensions

Frequency (Probability)	Severity (Impact)	Guideline for Mitigation Strategy
High	High	Avoid
High	Low	Control
Low	High	Transfer

Low	Low	Retain / Accept
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VSF's risk management policies shall incorporate objectives for managing each risk, strategies for managing the risk, tools for monitoring and evaluating the risk. The table below highlights the risks, their causes and recommended mitigation strategies:

Table 2: Risk Identification and Mitigation strategies

	Risk Event / Cause	Effect	Mitigation
I. OPERATIONAL RISK			
A. Operations			
	Delayed funds disbursement	Delayed activity implementation	• Set internal reporting deadlines • Timely requests •
	climates change	project objective will not be met	• Training of staffs on climate change and adaptation, planning
	Fraud or corruption	Projects not implemented and objectives not met. Misuse of resources	closely monitoring of activity implementation at all stages. • Tighten the control environment with the development of minimum standards and a consequence management framework that is rigorously enforced. • Training in fraud detection and management for staff. • Strengthen whistle blowing mechanisms
	theft	Theft of physical assets	• Internal control systems in place and strengthened. • Regular monitoring and update of assets register.

	computer blackout / beakdown	Loss of data	Regular back-up and Disaster Recovery Plan
B. compliance			
			- sharing of work plan and budget with the district - Set internal reporting deadlines
	Failure to meet District requirement/ donors reporting standards and deadlines	debarment from operation in the district. loss of funding	
	Delay in remittance of statutory obligation	delayed remittance	timely remittance to the respective authorities
C. Human Resource			
	High staff turn-over	High cost of recruitment & training	Staff motivation and development
	Gender imbalance	creates inferiority feeling	Gender sensitivity in recruitment
D.			
2. LIQUIDITY RISK			
	Limited funding to meet financial obligations as and when they fall due	Delay in implementation of programs Reputation risk	- Fundraising Strategy - Innovation in our programs so we have something new to offer potential donors - Develop relevant programming strategies that strike a note with potential and existing donors. - Donor intelligence so that we are sensitive and flexible to that.
	Loss of a major donor	Major disruption of business	- Diversified funding - Be able to provide improved VFM evidence of the impact of our work

			Develop more rigorous reviews and surveys that document our progress or lack thereof, while demonstrating genuine effort to learn from and rectify our failures.
3. SYSTEMIC RISK			
	Political unrest and Economic destabilizations	Delay in implementation of programs Loss of property and lives	- Diversify operations to various countries / regions / products - Ability to improvise, ie build in flexibility within our operations - Streamline approval processes so that we can respond easily to changing trends
	Natural disasters and /or poor infrastructure / catastrophes	Financial Loss	Insurance
4. FOREIGN EXCHANGE RISK			
	Foreign Exchange Fluctuations	Forex loss / gain	- Hedging Mechanisms. - Better cash flow planning so that we are drawing down only what we need. - Explore more avenues for getting the best rates rather than through just one bank. Introduce an element of competition.
5. STRATEGIC RISK			
a) Governance Risk			
	Poor decision making at VSF and management level	Mission drift	- Decisions should be based on facts rather than guess work - Appoint knowledgeable, competent and available management team - Build our capacity to provide evidence based decision support information.

	Unclear strategic direction and unfavorable products to partners,	Loss of partners	• Develop appropriate products based researched information
		Failure to achieve targets	• Development and monitoring of Strategic plan
b) Reputation Risk			
	Negative public opinion	Loss of market share Inability to raise funds due to poor credit rating	• Maintain good relationship with funders • Maintain good relationship with partners • Conflict resolution policies • Publish achievements more prominently • Improve visibility in the field.
6. REGULATORY AND LEGAL COMPLIANCE RISK			
	Non-compliance with laws, rules and regulations	Closure of business High legal costs and penalties	• Compliance Audits • Timely filing of returns • Legal advice from lawyer

5.2.4 Roles and responsibilities of Management and staff in risk management

The key principle will be that for every identified risk, there will be a responsible officer/person or committee to monitor the risk, and periodic reports done and submitted to a supervisor / supervisory body. The separation of responsibilities will ensure that risks are monitored and timely action is taken to address the risks.

a) Management and Staff

Management's role in risk management shall include:-

- Identify and understand the risk exposure of WSF.
- Measure the degree of risk exposure of WSF for identified risks.
- Monitor the nature of the risks and relative exposure.
- Develop and recommend to the Board appropriate policies and procedures for managing or controlling the risks.

Management will be charged with the responsibility to employ staff (middle level and others) with appropriate skills and experience to identify measure, monitor and manage risks within their areas of expertise.

b) Roles of individuals in risk management

As the organisation grows, it will require the following key people to manage risk for the Organisation.

(i) Risk Management Officer (RMO)

This officer will be charged with ensuring that there is adequate coordination of the risk management process. S/He will:-

- Chair the risk management committee, which will be appointed by the RD.
- Coordinate the various departments in the management of specific risks.
- Ensure adherence to the Senior Management-approved risk management policy and procedures.
- Monitor the functioning of the various committees managing specific risks.

(ii) Internal Auditor

This officer shall ensure that the internal control framework, accounting controls, and operating policies and procedures are adhered to by the management and staff of WSF. S/He will be testing compliance with approved procedures by company staff and reporting to Management.

WSF will, in the short term, use an external firm to handle internal audit work but as the Organisation grows, an internal Audit department will be created within WSF

c) Roles of Partner Organisations in Risk Management

Partner senior Management will be asked to develop risk matrices, and these will be shared with Warrior Squad Foundation on a biannual basis. The WSF management will present this for approval by the WSF board of directors. WSF finance and programme staff will monitor the implementation of this by the partner.

(d) Legal counsel

This officer shall be assessing, monitoring, and managing the legal risks faced by the organization. He will report to Management on a timely basis about the legal risk exposure of WSF. WSF will, in the short term, outsource this responsibility to a competent lawyer or law firm.

6.0 CONCLUSION

Prudential management of risks in WSF is a prerequisite for the achievement of organisational objectives. Donor funds need to be used for the intended purpose, and WSF is committed to obtaining value for money even when it works through NGOS and CBOs.