

RISK MANAGEMENT POLICY



PRERAK

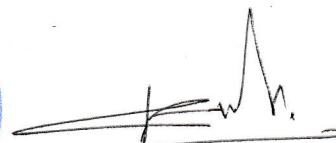
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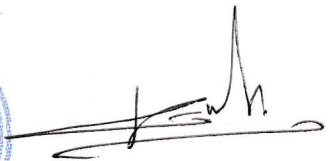
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PRESIDENT

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ABOUT PRERAK

PRERAK was started in 1988 for promoting the social, economical, political, educational and cultural life of the under privileged and marginalized sections of the society. It was founded by a few intellectual and experienced community volunteers to empower these communities and provide them with the required skills and capacity to fight against any social injustice. At PRERAK, we focus on preparing innovative strategies to create awareness in communities about their fundamental rights and duties and help them utilize their rights to live with dignity.

PRERAK, the social development organisation was registered under Madhya Pradesh society registration act 1873, Foreign Contribution Regulatory Act under the ministry of Home Affairs, Government of India, PWD act under the Department of Panchayat and Social Welfare and also 12A Income Tax Act under Government of India, ministry of finance.

1. POLICY OBJECTIVE

Risk in this policy describes the uncertainty surrounding events and their outcomes that may have a significant impact, either enhancing or inhibiting, on any area of the charity's operations.

The Charity Commission or the committee strongly recommends that charities / organization should have a clear risk management policy and process. The charity should have a structured approach to risk management that is appropriate for its size and complexity.



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The objective of this policy is to provide guidance on managing organizational risk to support the achievement of strategic objectives, protect beneficiaries, staff and organizations assets and ensure business operations and financial sustainability. The policy objective is to provide a framework to:

- Define risk governance
- Identify principal risks
- Assess priority risks
- Develop mitigating strategies and actions
- Monitor and review risk activities
- Communicate and report risks

2. RISK GOVERNANCE

Role	Responsibility
Council / Committee	<p>Trustees/Governing body/Committee are required to identify and review the strategic, operational, regulatory, people, political and environmental risks to which the organization is exposed and to assess the likelihood of such risks and the possible level of impact they would have.</p> <p>Trustees/Governing body/Committee must be satisfied that risk management is embedded in the organization</p>



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and adequate systems are in place to monitor, manage and, where appropriate, mitigate organization's exposure to the major risks.

**Audit
committee**

Detailed review of priority risk log at every audit committee meeting.

**Managers
and staff**

Comply with risk management policy and processes and foster an environment where risks can be identified and escalated.

3. PRINCIPAL RISK IDENTIFICATION

Risk is embedded within the organization and risk management is factored into organization's planning, performance management, audit and assurance, business continuity management and project management. All projects and countries look at risks specific to their particular context. Various type of risks that could have a major impact on the organization as a whole are reviewed by Council / Committee and management.

The management team of the organization has identified some of the risks which can be classified into the following categories:

- Financial
- Operational
- Legal and regulatory
- Political and environmental



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- Strategic

The purpose of introducing categories is to stimulate thinking and ensure that a comprehensive list of potential risks is developed. The long list of risks is reviewed periodically by the Committee of the management and new possible risks can be added into this list which could have the possibility of impacting the performance of the organization.

This process replaced a risk log that was far more comprehensive, but had become nothing more than a tick-box exercise. Focusing senior management and Council / Committee on a smaller number of critical risks means we are able to have far more in depth discussions about whether these are the correct principal risks, and what we should be doing to mitigate them. Each principal risk is entered into a risk log; it is dated, summarised, categorized with a possible mitigation strategies. Priority risks change quite often depending on the situation and external environment. The organization should take strong measures to identify priority risk with possible mitigation strategies.

4. ASSESS PRIORITY RISKS

Each priority risk is entered on the risk log. The risk is assessed by considering the following dimensions:

- Risk appetite (high, medium, low)
- Significance of the risk (scale of 1-5, where 5 is the most significant)
- Probability of risk occurrence (scale of 1-5, where 5 is the most probable)



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- Description of worst-case outcome, including a financial quantification if appropriate

In addition, 'direction of travel' is also noted, whether we think that overall the impact of the risk has stayed static since previous review or is changing for better or worse.

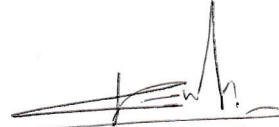
5. RISK MITIGATION

Each risk has an owner responsible for the mitigation strategy. The key elements of the mitigation strategy are noted on the risk log with summary associated comments. In addition, if a risk has been delegated to a specific committee of Council, this is also captured.

A key element of our approach is to capture 'RAG' status, which relates to our progress on mitigating the risk rather than on 'retained risk'. Our view has been that this is far more useful as it indicates what management should be focusing on rather than simply ranking risks post mitigation. 'Red' means the strategy is not yet finalised (or can mean that the current strategy has not been found to be adequate to mitigate so we are 'back to the drawing board'), 'yellow' means we have a strategy but have not yet fully implemented it, and 'green' means we have taken all the actions we think are required.

It is designed to be a dynamic process, both in terms of considering what the top risks are and looking at strategies to mitigate them. These strategies provide the foundation for developing our key operational and financial processes such as safeguarding, reserves, investment and treasury management policies.




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6. RISK MONITORING AND REVIEW

Council/Committee is ultimately responsible for the system of risk management and internal control and through the audit committee reviews the effectiveness of this system.

Every year Council/Committee considers in depth the nature and extent of the principal risks that the Organization is willing to take to achieve its strategic objectives. For each principal risk, risk appetite is assessed to balance opportunities for organizational development and growth in areas of potentially higher risk, while maintaining reputation and reasonable levels of broad stakeholder support.

The audit committee reviews the risk log at each meeting.

Key management reports, issues and actions are reviewed at every monthly management meeting. There are discussions to decide as to whether priority risks need to be introduced, amended or replaced in light of external events or operational challenges. It is an accountability of senior management to promote risk management processes throughout the organization and encourage transparency in reporting and speedy issue and risk escalation.

Priority risks are reviewed regularly by the Controller of Internal Audit and considered when developing the annual internal audit plan. Key risks are also assessed and referenced in the development of the audit approach for each individual internal audit review.

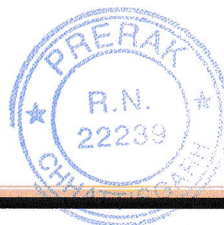
In addition, the risk list is reviewed in depth by senior management prior to each audit committee and annual review of risks by Council.



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7. RISK COMMUNICATION AND REPORTING

Trustees/Committees are required to report on the types of the risks identifies and escalated during the year along with the proper mitigation strategies and processes adapted.



Approved by Governing Body

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PRESIDENT

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