

Risk Management Framework

The purpose of this Framework is to ensure that all internal and external risks associated with the operation, management and objectives of Zonta International and its foundation are identified, assessed and managed appropriately.

This *Risk Management Framework* applies to Zonta International, and the Zonta Foundation for Women, and may be applied across all activities and projects.

Establishing a Risk Policy

The *Risk Management Policy* for Zonta International and the Zonta Foundation for Women, should provide clear and concise requirements for risk management as an integral part of the organizations' overall approach to governance. The policy should describe:

- How risk is managed in the governance structure.
- The purpose of the policy.
- To whom and to what the policy applies.
- A high-level overview of the risk management process.
- The organizations' degree of risk appetite.
- Reporting requirements.
- Roles, accountabilities and responsibilities.

Communicating risk

To get a better understanding of potential risks it is helpful to discuss the issues with:

- Main stakeholders and strategic partners.
- External advisors and providers of outsourced services.
- The board members and relevant international committee chairs, governors.
- Project managers.
- Executive director and staff.

Identifying risks

Identifying risks and defining them in terms of likelihood, and impact are necessary to ensure that risks can be consistently assessed and managed. This process forms the basis for the common risk management language and understanding of risk among Zonta International and its foundation's stakeholders.

Risk identification should be an integral part of all strategic planning, operational management, and when undertaking special projects.

The risk categories for a non-profit corporation such as Zonta International are mainly:

- **Governance risk** – e.g. risks emerging from lack of relevant skills, conflict of interest, and inappropriate structure.
- **Operational risk** – e.g. risks emerging from poor contracts for products and services, lack of delivery on service projects, poor staff recruitment and retention, inadequate operational policies and procedures.
- **Financial risk** – e.g. risk emerging from insufficient funds and/or inadequate reserves, cash flow or investment management, fraud.
- **Strategic risk** – e.g. risks emerging from socio/demographic changes, changing government policy, globalisation, disruptive technologies.
- **Compliance Risk** – e.g. with relevant law and regulations.

Assessing risk

Identified risks will be assessed in terms of likelihood and impact in accordance with the risk rating criteria that reflects the risk appetite of Zonta International as described on the Risk Matrix (Appendix One). The assessment should also include an analysis of any potential risk aggregation and evaluation and prioritization. Each risk should be analyzed to an appropriate extent, considering its consequences, and summarized in terms of the consequences and the likelihood that they will occur.

Figure 1. Impact Assessment

Level	Impact of the risk if it occurs
Insignificant	<ul style="list-style-type: none"> • No impact on service • No impact on reputation • No impact on people/staff • Financial impact less than \$10K. No or insignificant impact on budget. • No non-compliance
Minor	<ul style="list-style-type: none"> • Slight impact on service delivery • Complaints possible • Slight impact on people/staff • Financial impact \$10K - \$50K, or up to 10% of budget • Non-compliance known
Moderate	<ul style="list-style-type: none"> • Service Disruption • Potential for adverse publicity/complaint • People/Staff impacted • Financial impact \$50K - \$100K or up to 20% of budget • Legal action/sanction possible
Major	<ul style="list-style-type: none"> • Extended service disruption • Adverse publicity/complaints received. • Some people/staff detrimentally impacted. • Legal action/sanction pending. • Financial impact \$100K - \$500K or up to 30% of budget
Severe	<ul style="list-style-type: none"> • Service disruption for significant time • Major adverse publicity • Many people/staff detrimentally impacted • Litigation

	<ul style="list-style-type: none"> Financial impact greater than \$500K or greater than 30% of budget
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Figure 2. Likelihood Assessment

Level	Likelihood of the risk occurring
Very low	May only occur in exceptional circumstances
Low	May occur in a few circumstances
Medium	Expected to occur in some circumstances
High	Expected to occur in many
Very high	Expected to occur frequently and in most circumstances

Risk assessment is undertaken by calculating impact x likelihood as described in Figure 3.

Figure 3. Risk Matrix

		IMPACT				
		Insignificant	Minor	Moderate	Major	Severe
LIKELIHOOD	Very high					
	High					
	Medium					
	Low					
	Very Low					



Risk Rated Low – Manage through routine procedures



Risk Rated Moderate – board/HQ management plan required



Risk Rated High – board action plan required

Evaluating Risks

Risks are managed through coordinated internal control processes. Risk Evaluation involves assessment of how well risks are currently managed.

Examples of risk controls include:

- Governing documents, specifically Bylaws and Rules of Procedure
- Policies and procedures
- Accounting policies and procedures
- Legal compliance processes
- Operational manuals and procedures
- Physical barriers and security systems
- IT security systems
- Contingency plans
- Delegations of authority

Figure 4. Effective controls will reduce risk to an acceptable level

Control evaluation	Descriptions
Excellent	Controls are in place and functioning all the time

Good	Controls are generally functioning all the time. Policies and Procedures are in place. Good control awareness and culture, but room for improvement.
Adequate	Barely enough for day-to-day operation. Policies and procedures may exist but are not fully implemented. Controls are generally functioning but control awareness is not strong.
Inadequate	Control breaches are common. Policies and procedures are not fully documented. Non-compliance is not detected promptly Lack of commitment to establishing controls. Lack of monitoring and reporting.
Non-existent	Lack of defined controls. No policies and procedure. Poor track records e.g. write-offs are huge.

If the resultant risk is Low, no further action is required.

If the resultant risk is medium or high, management action must be specified.

Control Effectiveness	Level of Risk		
	High	Medium	Low
Excellent	Low	Low	Low
Good	Medium	Low	Low
Adequate	Medium	Medium	Low
Inadequate	High	Medium	Low
Non-existent	High	Medium	Low

Risk Treatment

Where a risk control cannot reduce the risk to an acceptable (Low) level further action is required to manage this risk. Risk treatment options include:

- Strengthening the risk controls to reduce the impact or likelihood of the risk occurring.
- Transferring risk to a third party e.g. via contracts or insurance.
- Avoiding the risk, by not undertaking the activity.
- Accepting the risk – take the risk and bear the cost/consequence.

Monitoring and Reporting

Risk Management reporting should be a routine part of each board agenda. The risk manager should make quarterly reports to the board based on the best information available, and these reports should be reviewed by the board.

The board may request risk reports on any project or activity, at any time.

Zonta International may decide to report to applicable stakeholders on its risk management policy and framework and their effectiveness. Any risk reporting should provide an appropriate level of detail, and be specific, relevant, timely and reliable. The report should include:

- Any material changes that alter the likelihood of occurrence and/or its consequences.
- The status of responses for key risks; for example, if progress is behind schedule or is significantly threatened.

- Any significant new or emerging risk that needs to be assessed and monitored.
- Proposed actions.

The results of the risk management process should be regularly reviewed to ensure that the process remains valid, to reflect changes in the context and to support better-informed decisions. The organizations should continue to improve the effectiveness of the risk management framework through:

- Learning from risk events and the application of controls.
- Internal audit.
- An ongoing reviewing of the process.

At the beginning of the biennium an internal audit, or risk review, should be performed to provide the board with assurance on risk management processes and to inform the board how well the processes are working.

An ongoing risk based internal audit programme may form part of this monitoring and review process.

Roles and Responsibilities

Risk management is an inherent part of good governance and it is the responsibility of the Zonta International leadership, including the board, the executive director and staff, relevant international committee chairmen, governors and other Zonta leaders, to ensure that risks are identified and managed properly.

Every member of Zonta has a role to play in ensuring that risks are managed, that opportunities are taken, and objectives are met.

The ultimate responsibility for risk management decisions lies with the board.

The risk manager's responsibilities are defined in the International Manual.

The risk owner is the person responsible and accountable for an assigned specific risk. The risk owner should:

- Manage the risk, monitor it and report on its status as appropriate.
- Contribute to the development of appropriate controls and report on their status.

Individual Zontians, staff, and providers of goods and services also have responsibilities related to risk management. Individuals should understand:

- The risks relating to their roles and their activities.
- How the management of risk relates to the success of Zonta International and its foundation.
- How the management of risk helps them achieve their own goals and objectives.
- Their accountability for particular risks and how they can manage them.
- How they can contribute to continuous improvement of risk management.
- That risk management is a key part of the culture of Zonta International and its foundation.

- The need to report in a systematic and timely way any perceived or emerging risk, near misses or failures of existing control measures within the agreed-upon parameters.

► *Zonta International Risk Management Policy and Zonta Foundation for Women Risk Management Policy*

Document control:

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Committee Responsible	Risk Management
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