



## **LAWYERS ALERT RISK MANAGEMENT POLICY**

### **1. Purpose of the Policy**

All activities undertaken by Lawyers Alert (LA) carry an element of risk. The exposure to these risks is managed through the practice of Risk Management. In managing risk, it is the Organization's practice to take advantage of potential opportunities while managing potential adverse effects. Managing risk is the responsibility of everyone in the Organization. This policy outlines the Organization's risk management process and sets out the responsibilities of the Board, the Audit and Risk Committee, the Managing Director, senior management and others within the Organization in relation to risk management.

#### **1.1 Policy owner**

The President, Lawyers Alert, is the policy owner of the Risk Management Policy and Procedure for LA. The Finance Manager will still have oversight over the risk management program for LA.

### **2 Understanding Risk Management**

Risks are designated as a blend of the consequences of an event occurring and its likelihood of occurring. Risk is the chance of something happening that will have an impact on objectives. Risk management can therefore be labelled as the culture, processes and structures directed towards realising potential opportunities whilst managing possible adverse effects.

LA's risk management system is designed to identify the risks it faces and has measures in place to keep those risks to an acceptable minimum. The existence of risk presents both threats and opportunities to LA. Risk owners have been assigned responsibility for the identified risks in the Risk Register. LA's risk assessment matrix is used as the benchmark in planning and implementing the risk management measures. It takes into consideration the nature, scale and complexity of the business.

The process consists of the following main elements:

- Identify: threats or opportunities and document the risks captured by the risk register owner.
- Assess: the primary goal is to document the net effect of all identified threats and opportunities, by assessing:
  - i. Likelihood of threats and opportunities (risks)
  - ii. Impact of each risk
  - iii. Proximity of threats
  - iv. Prioritisation based on scales
- Plan: preparation of management responses to mitigate threats and maximise opportunities. Implement: risk responses are actioned.
- Monitor and review: monitor and review the performance of the risk management system and changes to business initiatives.

- Communicate: provide regular reports to management team / Audit and Risk Committee at agreed times.

Risks are effectively managed by LA through the effective implementation of various controls, which include:

- Board approved risk management framework
- Documented policies and procedures
- Maintenance of registers;
- Implementation of risk based systems and processes;
- Ongoing monitoring of regulatory obligations;
- Checklists to guide activities and project plans to record actions;
- Internal and external reporting.

### **3 Responsibility**

#### **3.1 Board**

The Audit and Risk Committee, has the responsibility to review and report to the Board that:

- The Committee has, at least annually, reviewed LA's risk management framework to satisfy itself that it continues to effectively identify all areas of potential risk
- Adequate policies and processes have been designed and implemented to manage identified risks
- A regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies
- Proper remedial action is undertaken to redress areas of weakness.

#### **3.2 Chief Financial Officer**

The Chief Financial Officer of LA has a responsibility under this policy for:

- Monitoring compliance with this policy
- Reporting to the Board on compliance with this policy
- Developing, implementing and monitoring systems, management of policies and procedures relevant to the business, including facilitating review by the executive on a regular basis
- Maintaining the risk register.

#### **3.3 Risk Owner**

The risk owner (as noted in the Risk Register) is responsible for ensuring on a daily basis that the relevant operational procedures and controls implemented to treat each risk area are adequate and effective. If a control or procedure is not adequate and effective in treating the risk, the risk owner should report this, with a recommendation for an alternative risk treatment, to the Chief Financial Officer for escalation to the Chief Executive Officer and Managing Director and ultimately approval by the Board.

#### **3.4 General Responsibilities**

Every LA staff member is responsible for effective management of risk including the identification of potential risks. Management is responsible for the development of risk

mitigation plans and the implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities. Where there is legislation in place for the management of specific risks (such as Occupational Health and Safety) this Risk Management policy does not relieve LA of its responsibility to comply with that legislation. Managers are accountable for strategic risk management within areas under their control, including the promotion and training of the risk management process to staff.

## **4 Risk management procedure**

### **4.1 Summary of procedure**

- Establish Context
- Identify Risks
- Risk Register Review
- Treat Risks
- Risk Assessment
- Risk Register Amended
- Communicate and Consult
- Analyse Risks Matrix
- Monitor and Review
- Update Risk Register
- Evaluate Risks

### **4.2 Risk management process**

The risk management system is dynamic and is designed to adapt to LA's developments and any changes in the risk profile over time. Compliance measures are used as a tool to address identified risks. The risk management system is based on a structured and systemic process which takes into account LA's internal and external risks. The main elements of the risk management process are as follows:

- Communicate and consult – communicate and consult with internal and external stakeholders as appropriate at each stage of the risk management process and concerning the process as a whole.
- Establish the context – establish the external, internal and risk management context in which the rest of the process will take place – the criteria against which risk will be evaluated should be established and the structure of the analysis defined.
- Identify risks – identify where, when, why and how events could prevent, degrade, delay or enhance the achievement of LA's objectives.
- Record risks – document the risks that have been identified in the risk register.
- Analyse risks – identify and evaluate existing controls. Determine consequences and likelihood and hence the level of risk by analysing the range of potential consequences and how these could occur.
- Evaluate risks – compare estimated levels of risk against the pre-established criteria and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities.

- Treat risks – develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs.
- Monitor and review – it is necessary to monitor the effectiveness of all steps of the risk management process. This is important for continuous improvement. Risks and effectiveness of treatment measures need to be monitored so that changing circumstances do not alter priorities.

LA's risks may come from any internal or external event which, if it occurs, may affect the ability to efficiently and effectively operate:

- Internal risks – those risks that specifically relate to LA's business itself and as such as generally within its control. They include risks such as employee related risks, strategic risks, and financial risks.
- External risks – those risks that are outside the control of LA. They include risks such as market conditions and legislative change.

Risks are effectively managed by LA through the effective implementation of various controls, which include:

- Board approved risk management framework
- Maintenance of risk register
- Regular review of risks and controls, particularly as the business changes.

Risk management can be applied at many levels in an organisation. It can be applied at a strategic level and operational level. It may be applied to specific projects, to assist with specific decisions or to manage specific recognised risk areas.

### **4.3 Risk Management methodology**

The methodology adopted by LA for managing and treating its risks can be defined as follows:

- Document a risk management framework (ie the context)
- Identify the general activities involved in running the business (ie risk categories)
- Identify the risks involved in undertaking the specific business activity by asking the questions:
  - a) What could happen?
  - b) How and why could it happen?
- Rate the likelihood of the business activity not being properly performed. Likelihood is assessed to the assumption that there are no existing risk management and compliance processes in place. It is assessed as either Almost Certain, Likely, Possible, Unlikely and Rare.
- Rate the consequence of not properly performing the business activity - damage can be quantified in terms of financial loss to investors and/or LA itself. It is assessed as Catastrophic, Major, Severe, Serious and Minor.
- Assign the inherent risk rating based on a combination of the risk rating. Low and medium risks may be considered acceptable and therefore minimal further work on these risks may be required. The rating may be assessed as Critical, High, Significant, Medium and Low.

- Decide whether a control (eg policy, procedure, checklist, reporting mechanism or account reconciliation) is necessary given the level of risk, based on likelihood and consequences and if so, identify control.
- Assess whether the existing controls are adequate and allocate the responsibility of monitoring the control to treat the risk. This will integrate risk management and compliance to daily activities and facilitate appropriate control of operational risk.
- Raise awareness about managing risks across the organisation through communicating the policy and responsibilities.
- Routinely monitor and review ongoing risks so can risk can be effectively managed

## **5. Human Resources**

### **5.1 Written Employment Policies**

LA believes that written employment policies are an essential risk management tool. The organization has compiled its key employment policies in our Human Resources Manual. Communications Regarding Employment Policies Describe the manner in which employees are informed about personnel policies. Each time a new employment policy is adopted, the employee handbook is re-issued and distributed to staff. Staff members are required to sign an acknowledgement that is maintained in their personnel file, indicating that they received and agree to adhere to the new policy(ies). LA reviews and updates its Employee Handbook as and when due to ensure that policies remain suitable for the organization and in compliance with state and federal employment laws.

LA uses job descriptions for both paid and volunteer positions in the organization. These documents are developed by supervisory personnel, reviewed by outside legal counsel, and updated as and when due.

### **5.2 Employee Orientation**

The Human Resource Manager at LA is responsible for conducting an induction session for all new employees [and volunteers]. During this session key provisions of the Human Resources Policy Manual are discussed, the employee is asked to provide any additional information necessary for benefits enrollment, and the employee is encouraged to ask questions about any aspect of employment policy or operations. Employees are also introduced to other staff and provided with an overview of equipment and systems they will be required to use. This usually takes place within the first week of employment. A typical orientation includes review of key policies, introduction to software programs and hardware programs that will be used by the employee, introduction to other staff and key volunteers, and a review of the supervisor's expectations and reporting requirements.

### **5.3 Staff Supervision**

LA views effective staff supervision as an essential component of risk management. Supervisory staff are expected to communicate their expectations of direct reports clearly and consistently and hold employees accountable with regard to key tasks and responsibility and compliance with the organization's employment policies. All employees are encouraged to raise concerns or questions about work priorities and assignments with their direct supervisor.

### **5.4 Performance Appraisal Process**

LA carries out an annual review for all employees. Supervisors are responsible for scheduling review meetings and completing the Performance Review form. A goal-setting exercise is part of this process.

## **6. Financial Management**

### **6.1 Financial Responsibilities and Objectives**

It is the responsibility of the Board of Directors to formulate financial policies and review the operations and activities of NONPROFIT on a periodic basis. The Board delegates this oversight responsibility to the Finance Committee, of which the Finance Manager is the Chair. The President acts as the primary fiscal agent, with responsibility for implementing all financial management policies and procedures on a day to day basis.

He may delegate to qualified professional staff the responsibility for managing various aspects of the organizations finances. The financial management objectives of LA are to: •

- preserve and protect financial assets needed for mission critical activities
- exercise appropriate care in the handling of incoming funds and disbursement of outgoing funds
- strive for transparency and accountability in fiscal operations

### **6.2 Budgeting Process**

The President and the Management team, shall be responsible for developing a proposed budget for the upcoming fiscal year no less than 30 days prior to the beginning of the new fiscal year. The Finance Committee shall review and approve the budget and present it to the board ahead of the new fiscal year. The budget shall contain detailed projections for revenues and expenditures as well as cash flows.

### **6.3 Financial Statements**

The board will review financial statements quarterly. The financial statements will show a comparison of budget to actual revenue and expenses and also a list of grants or funding that is anticipated but not yet received.

### **6.4 Internal Controls**

LA has adopted a number of internal control measures as part of an overall effort to safeguard financial assets. These controls include:

- A detailed log of all incoming checks and cash is maintained and reconciled with deposit slips and monthly bank statements
- All cash and checks are deposited the same business day if possible, and no later than the next business day

In addition, we strive to segregate the following duties so that a single staff member isn't required to perform two or more of the following functions:

- Authorizing the purchase of goods and services
- Preparing a purchase order to purchase goods
- Receiving goods or validating the performance of services
- 10 Approving the payment of accounts payable for goods and services received

- Recording the liability for accounts payable
- Preparing and signing checks to pay the respective accounts payable
- Forwarding payments to the payee.