

**RISK MANAGEMENT & INTERNAL
CONTROL POLICY FRAMEWORK
2022**



ROYAL SOCIETY FOR PROTECTION OF NATURE

This document is endorsed by the undersigned as of the day and date written below:

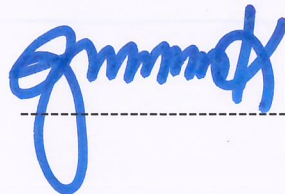
Date: May 17, 2022

Incorporators of this document:

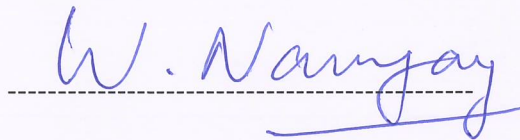
1. Mr. Phub Dorji,
Chairperson, Board Directors



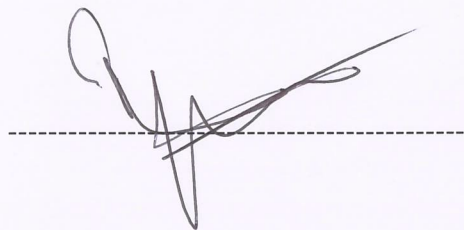
2. Kinley Tenzin, PhD
Executive Director



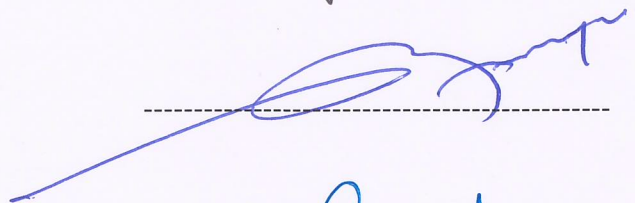
3. Mr. Wangchuk Namgay,
Director



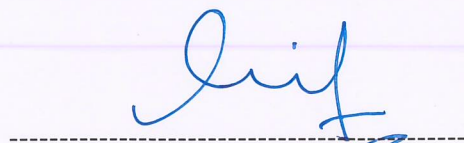
4. Mr. Tshering Dorji,
Chief



5. Ms. Khachi Wangmo,
Project Officer



6. Ms. Kinley Gyem,
Receptionist



7. Mr. Tshering Dhendup,
Senior Driver

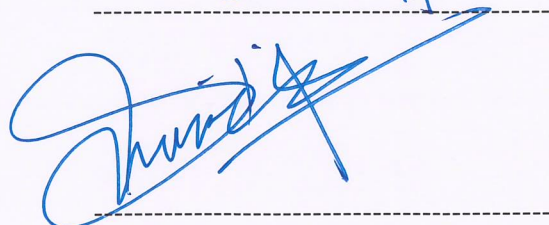


Table of Contents

Background 1

Scope of this Policy 1

Risk Management Policy Framework 1

Internal Control Policy Framework 5

Risk Management & Internal Control Players..... 7

Review and Revision 7

1. Background

Royal Society for Protection of Nature (RSPN) was established in 1987 under the Royal Command of His Majesty the Fourth King Jigme Singye Wangchuck as a citizen based Non-Government Organization (NGO) devoted to the conservation of Kingdom's environment. His Majesty the King Jigme Khesar Namgyel Wangchuck was the Royal Patron of RSPN from 1999 to 2012 and today, Her Majesty the Queen Jetsun Pema Wangchuck is the Royal Patron of the Organization.

RSPN is the oldest environmental organization in the country and is registered with the Civil Society Organizations Authority (CSOA) as a Non-Profit Public Benefits Organization. The Board Directors provide overall guidance and directives in managing the organization. The Executive Director manages the day-to-day affairs of the organization and reports to the Board.

RSPN values Integrity and Commitment, Transparency, Accountability and Responsiveness, Equity & Inclusiveness, Rules of law, and Participation and Consensus oriented. Towards achieving these values, the respective safeguards, policies, manuals, guidelines, mechanisms, and Standard Operating Procedure (SoP) govern the functioning of the organization.

This Risk Management and Internal Control Policy Framework is designed to provide reasonable assurance that the organization achieve its mandates, adequately safeguards its assets, provide reliable information, and meet compliance requirement. This system plays a key role in directing and guiding the organization's various activities by continually preventing and managing risks. Therefore, RSPN shall ensure that risk management and internal control mechanisms play an integral part in sound governance at strategic, operational and project levels.

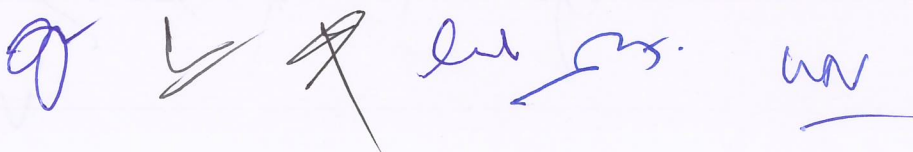
2. Scope of this Policy

All RSPN employees including those stationed in the field offices, including governing bodies and committees, and associates of RSPN (interns, members, consortium of experts, consultants, suppliers, contractors, etc.) shall adopt this policy. Programs, projects and activities performed by employees and associates of RSPN shall adopt this policy.

3. Risk Management Policy Framework

3.1. Risk Management Goals

- 3.1.1. **Create and preserve the organization's value, assets and reputation**
Risk management is used to identify and analyze the main potential threats and opportunities for the organization. The aim is to anticipate risks in preserving the organization's value, assets and reputation.
- 3.1.2. **Secure decision-making and the organization's processes to attain its objectives**
Risk management aims to identify the main events/situations that could have a significant impact on the attainment of the organization's objectives. Risk management gives managers an objective and comprehensive outlook on the organization's potential threats and opportunities. It enables managers to take measured and informed risks and provides a basis for their decisions regarding the attribution of human and financial resources.
- 3.1.3. **Promote the consistency of the organization's actions with its values**
Lack of consistency between organization's values and day-to-day decision-making, and mainly reflect inadequate management of risk, and threaten the organization's credibility. RSPN shall promote consistent management of risk.



3.2. **Components of the risk management system**

RSPN’s risk management policy framework includes:

3.2.1. **An organizational framework with:**



- 3.2.1.1. an organizational structure that defines roles and responsibilities, sets out the clear procedures, and consistent standards for the system,
- 3.2.1.2. a risk management system that formally sets out the system objectives in accordance with the corporate culture, the common language, the approach to identifying, analyzing and managing risks and, as the case may be, the risk limits that the organization sets (risk tolerance),
- 3.2.1.3. an information system that disseminates risk information internally.

3.2.2. **A three-stage risk management process in the organization’s internal and external context:**

- 3.2.2.1. **Risk identification:** this stage identifies and centralizes the main risks threatening the attainment of the organization’s objectives and is part of an ongoing approach
- 3.2.2.2. **Risk analysis:** in this stage, the potential financial, personal, legal and reputational consequences of the main risks are examined and the likelihood of their occurrence is assessed. This is an ongoing approach.
- 3.2.2.3. **Risk management procedures:** in this stage, the most appropriate action plan or plans for the organization are chosen. Several measures can be considered to maintain acceptable risk levels: reducing, transferring, eliminating or accepting a risk. The choice is made by weighing the opportunities against the cost of risk management measures, with due consideration of their potential effects on the occurrence and/or consequences of the risk.

Risk identification and assessment, selection and implementation of risk control and financing measures for RSPN Operations, the RSPN’s Operational Risk Management Plan shall be prepared as per the Risk Matrix A.

Areas of Risk	RSPN’s operational area	Description of Risks	Severity			Risk Management Measures	Indicators
			Low	Medium	High		
Strategic Risk							
Overall economic environment							
Political							
Governance							
Investments							
Corporate Goodwill							
Financial risks							
Financial sustainability							


Page 2 of 7


Disbursements							
Cost escalations							
Operational risks							
Procurement of services							
Procurement of goods							
Disbursements							
Communication							
Planning and reporting							
Organizational risks							
Technical capacity							
Employee strength							
Information technology							
Legal identity							

The RSPN's Project Risk Management Plan shall be an integral part of the RSPN's project design and appraisal process. Therefore, all project formulation and submission shall consist of the Risk Matrix B as the Project Risk Management Plan or alternatively, adapt concerned donor's risk management systems, if available.

Project Output	Env & Social principles	Description of Risks	Severity			Mitigation measures	Responsible party	Current status
			Low	Medium	High			
	Environment & Social Safeguard							
	Compliance to legal and regulatory requirements							
	Protection of forest and natural habitats							
	Conservation of Biological Diversity							
	Pollution prevention							
	Resource efficiency							
	Land and soil conservation							
	Physical and cultural resources or heritage							
	Indigenous people and culture							
	Marginalized and vulnerable groups							

Involuntary displacement/ resettlement								
Public health								
Access and equity								
Human rights								
Poverty alleviation								
Disaster management capabilities								
Pest and disease management								
Transboundary issues								
Climate change								
Gender Equity								
Gender inclusiveness								
Women empowerment								
Fraud & Corruption								
Financial risk								
Procurement risk								
Governance and operational risk								
Access and equity								
Others								

3.2.3. Ongoing oversight of the risk management system:

In order to carry out the risk management functions on a continuous basis, RSPN management shall submit quarterly report to Board concerning the overall RSPN’s operations as per the RSPN’s Operational Risk Management Plan and evaluation of its implementation status. In addition, RSPN shall ensure timely submission of semi-annual progress on the implementation status of the Project Risk Management Plan, for donor funded projects. For RSPN’s self-financed projects, RSPN management shall ensure that semi-annual progress on the implementation status of the Project Risk Management Plan is being reported to the Board.

[Handwritten signatures and initials in blue ink]

4. Internal Control Policy Framework

4.1. Objectives

4.1.1. Compliance with laws and regulations

RSPN shall comply with laws, rules, regulation, policies, mechanism and Standard Operating Procedure (SOP) of the country as well as that of RSPN's.

4.1.2. Implementation of the instructions and directions given by the management

Instructions and directions from the management help employees and associates understand what is expected of them and what scope they have for freedom of action. These instructions and directions must be communicated based on the objectives allocated to each of them, so as to provide guidance on how their activities should be conducted. The instructions and directions must be defined in accordance with the organization's overall objectives and the risks incurred.

4.1.3. Proper functioning of the organization's internal processes, especially those relating to the protection of its assets

In order for processes such as operational, program, and financial to function correctly, standards or operating principles have to be established, along with monitoring indicators.

At RSPN, the term 'assets' refers not only to tangible assets, but also to intangible assets, such as know-how, image and reputation. Theft, fraud, lack of productivity, errors, as well as poor management decisions and internal control weakness, can make these assets disappear. The same is true for processes relating to financial reporting. These processes include not only those which deal directly with the preparation of financial reports, but also the operational processes which generate the accounting data.

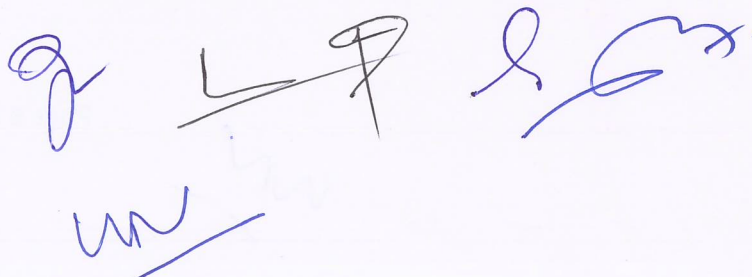
4.1.4. Reliability of financial information

Reliability of financial information can only be achieved by implementing internal control procedures that promote faithful recording of all the organization's operations. The quality of the internal control system can be improved by:

- segregation of duties, for a clear separation between recording duties, operational duties and record retention duties;
- function descriptions, which should make it possible to identify the origin of the information produced and its recipients;
- an accounting internal control system to ensure that the operations have been performed in accordance with general and specific instructions, and that the accounting system produces financial reporting that complies with generally accepted accounting principles.

4.2. Internal control components

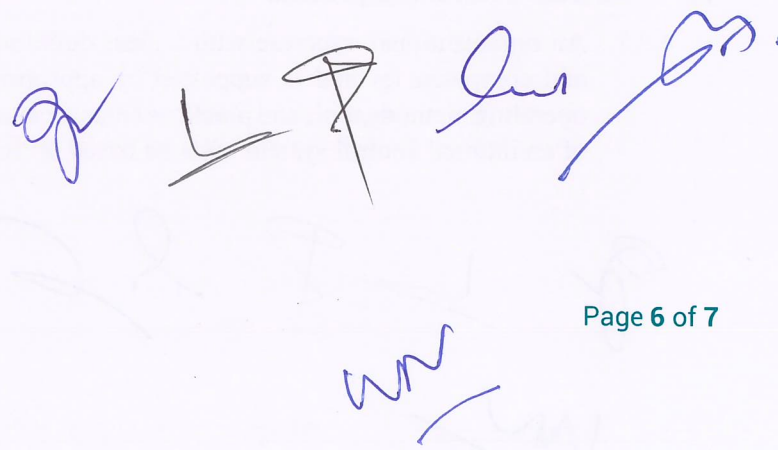
- 4.2.1. An organizational structure with a clear definition of responsibilities, suitable resources and competencies that is supported by appropriate information systems, procedures or operating methods, tools and practices enhance internal control mechanism. Implementation of an internal control system must be based on fundamental principles, as well as:



- 4.2.1.1. **a suitable organizational structure** that provides the framework in which the activities implicit in meeting the objectives are planned, carried out, followed up and controlled.
- 4.2.1.2. **clearly defined responsibilities and powers** that are granted to the right people according to the organization's objectives. Based on organogram and Service Rules and Regulations (SRR), delegation of responsibilities is carried out.
- 4.2.1.3. **a human resource management guideline** shall enable RSPN to employ people with the appropriate knowledge and competencies to discharge their responsibilities and to meet the current and future objectives of the organization;
- 4.2.1.4. **information systems** that are adapted to the current objectives of the organization and designed to be able to respond to its future objectives. The IT systems on which these information systems depend are adequately protected, both in terms of physical and logical security, thereby ensuring that there is no loss of the information stored. Their operational continuity is guaranteed by back-up procedures. Information on analyses, programming and processing functions must be documented;
- 4.2.1.5. **operating procedures or methods** that specify how an action or process should be carried out (objectives to be achieved within a given time-frame, definitions of functions and operating/reporting lines, policy framework, decision-making and assessment tools, control frequency, person responsible for control, etc.), regardless of format and medium.
- 4.2.1.6. **tools** or work facilities (office automation, IT) that are adapted to everyone's needs and suitable training for every user;
- 4.2.1.7. **practices** which are commonly accepted within the organization.
- 4.2.2. **In-house dissemination of relevant and reliable information that enables everyone to exercise their responsibilities**

The organization's processes ensure that relevant and reliable information is communicated in a timely manner to relevant officials within the organization, thereby enabling them to exercise their responsibilities.
- 4.2.3. **A risk management system** to identify, analyses and manage the main risks identified with regard to the organization's objectives.
- 4.2.4. **On-going monitoring of the internal control system**

This system is aimed at verifying its relevance and appropriateness to the organization's objectives.



5. Risk Management & Internal Control Players

5.1. Board Directors

The Board of Directors shall ensure that Risk Management and Internal Control Policy Frameworks are implemented adequately and that no adverse effects occur.

- 5.1.1. The Board shall provide oversight with executive management to ensure that the monitoring, internal control and risk management systems are adequate and reliable.
- 5.1.2. The Board may execute its authority as enshrined in the RSPN's Article of Association in instituting timely conduct of auditing and verification.

5.2. RSPN management

- 5.2.1. RSPN management is responsible for the quality of internal control and risk management systems, whether it acts directly or delegates its tasks.
- 5.2.2. The management shall ensure constant monitoring and initiate any remedial measures that become necessary to correct problems identified and to stay within accepted risk limits.
- 5.2.3. The management shall ensure that appropriate information is reported to the Board Directors.

5.3. Oversight committees (Audit, investment, tender, HR, etc.)

The Committees, based on its Terms of Reference shall execute its role and responsibilities in managing the risk and internal control.

5.4. Internal audit

- 5.4.1. Internal Audit is responsible within the scope of its duties, for assessing the operation of risk management and internal control systems, and for making recommendations to improve it.
- 5.4.2. Internal Audit shall assist in raising awareness and training management personnel in internal control and risk management.
- 5.4.3. As part of its work plan approved by RSPN management, examines compliance with laws and regulations, ensures that management's instructions are properly carried out and verifies the proper functioning of the organization's internal processes relating to the reliability of reporting channels and information systems.

5.5. Employees and associates

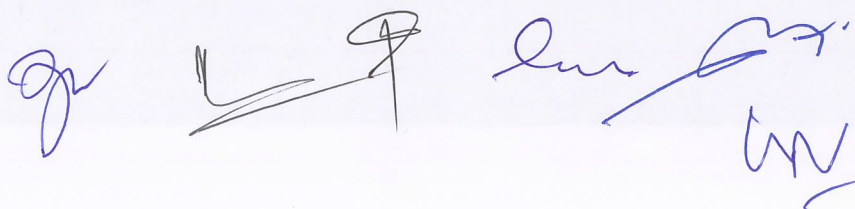
All employees and associates should possess the knowledge and information required for creating, operating and monitoring risk management and internal control systems in light of the objectives assigned to them.

5.6. Statutory auditors' role

Statutory Auditors shall audit and certify the financial statements and, as part of their task, they shall identify material risks and major internal control weaknesses that could have a significant impact on organization's programs, projects and activities.

6. Review and Revision

The policy shall be reviewed by RSPN annually or when deemed necessary that additional issues need to be identified and addressed, such as with a significant change in context or program or change to legislation, and be endorsed by the Board Directors.



Royal Society for Protection of Nature

P.O. Box: 325, Building No.: 25

Lhado Lam, Kawajangsa | Thimphu 11001, Bhutan

Phone: +975-2-322056/326130 | Fax: +975-2-323189

Website: www.rspnbhutan.org | E-mail: rspn@rspnbhutan.org