

Summary Document

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# Risk Management Toolkit

# Key Messages

- Risk Management is a critical activity to help you understand & manage your organizational risks (and opportunities)
- Risk Management will support your organization in achieving its strategic objectives, priorities & targets
- Risk Management should be an integral part of your business operations & support decision making & strategic planning

## 5 Risk Management Steps

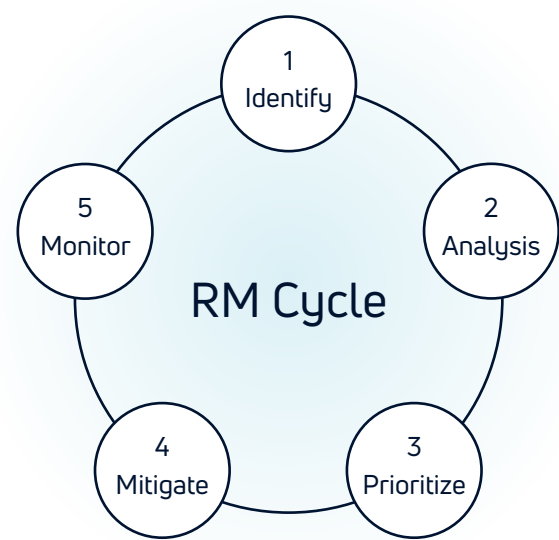
Identification > Analysis > Prioritization > Mitigation > Monitoring

## Risk Categories

Strategic Risks	>	Negative impact on strategic objectives e.g. mergers, diversification, loss of a key supplier, reputation issue
Operational	>	Negative impact on day to day operations e.g. Loss of a critical system, data loss, business interruption
People	>	Negative impact on staff, volunteers of the organization or the people it interacts with e.g. key person dependency, recruitment & retention, capacity & capability
Legal/Regulatory	>	Negative impact on the organization's ability to comply with the legal & regulatory landscape e.g. breach of data protection, non-compliance, legal action (tribunal)
Financial	>	Negative impact on the financials of the organization e.g. increased pension fund liabilities, negative movements in the interest rate, fraud, increase in supplier costs
Hazard	>	Negative impact on the organization caused by a hazard of some sort e.g. fire, flood, health & safety incident

# Step 1 | Risk Identification

- > Think about your strategic objectives & priorities
- > Consider the 6 risk categories (see table)
- > Brainstorm/workshop with colleagues (sharing perceptions)
- > Examination of trends
- > Analysis of last year’s problems
- > Information from similar organizations
- > Awareness of new initiatives, agendas & regulations



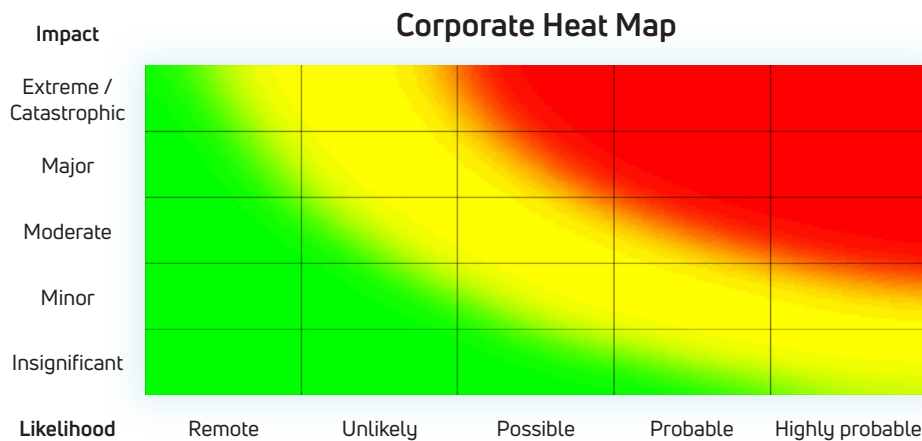
# Step 2 | Risk Analysis

Capture the 3 main elements to a risk:

Background	Cause	Consequences
General background	What could trigger the event?	What could the consequences be?
> What?	> How?	> How big?
> Where?	> Why?	> How bad?
> How?	> When?	> How much?

## Step 3 | Risk Prioritization

- How big an impact will the risk have on your organization
- How likely is the risk to occur?
- The risk matrix provides a focus to plot the risks (the impact x likelihood ranking = risk score)
- Those in the top right hand corner are the more pressing ones that will require most attention (see risk matrix/heat map below)



## Step 4 | Risk Mitigation

- Assess current actions & controls - Adequate or more needed in line with the 4 T's approach (Tolerate, Treat, Transfer, Terminate)
- Develop smart actions that will either reduce the likelihood of the risk occurring or minimize the impact should it happen

## Step 5 | Risk Monitoring

- Ensure risk reporting is part of performance monitoring
- Determine frequency of reporting depending on risk scores
- Focus on those risks above the tolerance line (top right hand corner)
- Delegate a group of individuals to be responsible for monitoring these risks e.g. Senior Management Team

## Risk Likelihood

Scale	Description	Occurrence	Probability
1	Remote	1 - 5% (1 in 20 years)	Exceptional circumstances
2	Unlikely	5 - 15% (1 in 6 / 7 years)	Few circumstances
3	Possible	14 - 40% (1 in 3 / 4 years)	Some circumstances
4	Unlikely	40 - 75% (1 in 2 years)	Many circumstances
5	Possible	75 - 100% (1 in > 2 years)	Frequent circumstances

## Risk Impact

Scale	Description	Service	Safety / People	Financial
1	Insignificant	No impact on service. No impact on reputation. Complaint unlikely. Litigation risk remote.	No fatalities. Minor impact on people's health.	1 - 2% of turnover
2	Minor	Slight impact on service. Slight impact on reputation. Complaint possible. Litigation possible.	No fatalities. A small no. of minor injuries requiring first aid.	3 - 5% of turnover
3	Moderate	Some service disruption. Potential for adverse publicity. Complaint probable. Litigation probable.	No fatalities. Significant no. of people affected requiring first aid.	5 - 8% of turnover
4	Major	Service disrupted. Adverse publicity not avoidable (local media). Complaint probable. Litigation probable.	Significant no. of people affected. Hospitalization required as well as medical treatment.	8 - 15% of turnover
5	Extreme - Catastrophic	Significant interruption for a significant time. Major adverse publicity (national media). Major litigation expected. Resignation of senior management / board member. Loss of beneficiary confidence.	Fatality / fatalities. Large no. of people affected. Multiple serious or extensive injuries.	15% + of turnover