Risk Management Procedures

Category: Governance   **Date Established:** 21-10-19
Policy Number: **Date Last Revised:**
Related Documents: Risk Management Policy

Purpose

To identify procedures for dealing with risk identification, risk analysis, risk mitigation & response planning and risk monitoring.

DEFINITIONS

Probability: The likelihood of a risk event occurring

Impact: The consequence & severity if the risk event does occur.

RISK MANAGEMENT TOOLS

Probability/Impact Matrix

Risk Worksheet

Risk Register

RISK CATEGORIES

The Governance Committee has proposed the following list of initial categories of possible risks that could apply to PAL (55+). This is a fluid list subject to change as appropriate.

Suggested Risk Categories	Working Group
Legal/Insurance/Reputation	Governance Committee
Financial/Operating Grants	Finance Committee
Fundraising/Sponsorship	Fundraising Committee
Programming	Programming Committee with ED
Facilities	Facilities Committee
Membership and Outreach	Membership Committee
Communications/Technology	Communications Committee
Staff/Human Resources	HR Committee/Executive
Operational/Administration	Board
Board and Subcommittees	Board

RISK IDENTIFICATION

Ideally, risk identification (and analysis) should be carried out by a group of people most closely associated with the specific target category.

1. Conduct a brainstorming activity to identify any possible risks that might apply to the chosen category.

2. Assign someone to write down the individual risks on a blank piece of paper (or possibly on yellow sticky notes).

3. As a group, review the list and discard any that are too unrealistic or remote.

4. Enter the remaining risks into the Risk Worksheet.

RISK ANALYSIS

1 Select one of the following colour coded tables to assist in the analysis process.
   a. *Probability/Impact Matrix - Basic* has three-step scales for both Probability and Impact
   b. *Probability/Impact Matrix – Expanded* has five-step scales for both Probability and Impact
   c. The Basic table is simple and straight forward, while the Expanded table allows for more leeway when assessing values. Choose what works for the situation.

2 Select one risk at a time and using one of the coloured matrix forms as a guide, determine the likelihood of that risk actually happening. This is the 'P 'value.

3 Enter the information in the Worksheet

4 Then discuss the impact the risk would have if it should occur. Using the coloured matrix as a guide, enter the value in the Impact column on the Worksheet. This is the 'I 'value.

5 The Priority value can then be determined from the appropriate box on the coloured Matrix or can be calculated by multiplying the probability by the impact, or (P x I). Enter this product value in the Priority column.

6 Follow the same procedure for each of the other identified risks.

7 The identified risks will likely be distributed from low level though to high level priorities, with most in the middle range.

PLANNING RISK RESPONSES

There are several strategies that organizations can plan for responding to risks. The four basic response strategies for negative risks are:

- *Risk avoidance,* or eliminating a specific threat, usually by eliminating its causes.

- *Risk acceptance,* or accepting the consequences should a risk occur.

- *Risk transference*, or shifting the consequence of risk and the responsibility for its management to a third party. (for example, insurance policies)

- *Risk mitigation*, or reducing the impact of a risk by reducing the probability of its occurrence.

RISK MITIGATION AND RESPONSE

1. In this phase, brainstorm and consider possible responses to the listed risk events. Start with the highest priority risks and work downward.

2. First decide if there is anything that can be done to mitigate the probability or impact of a given risk, thus possibly lowering its priority. If so, enter that under the mitigation column. Note that policies and standard operating procedures are often good mitigation strategies. Review and consider the current PAL policies and procedures in your deliberations. If you determine that a policy is required, bring the matter to the Governance Committee for review and direction.

3. A response to a given risk is often referred to as a *contingency plan.* "If Risk 'X' happens, then we will respond by implementing our contingency plan for that risk."

4. A risk can have more than one possible contingency plan, and they can be ranked in a hierarchical order. If Risk 'X' happens, then we will implement "Plan B", or possibly "Plan C".

5. Sometimes, a contingency of last resort will be developed. These are sometimes referred to as Fallback Plans. If all else fails, we can always…

6. Enter all contingency plans and/or fallback plans into the Worksheet.

7. Finally, determine who will monitor the identified risk events within the category. The monitor might be a Standing Committee Chair, or designate, or possibly a staff person closely involved with day-to-day operations.

8. Information from the Worksheets will be entered into the master Risk Register document, a large spreadsheet containing risk related information and strategies. This work should be handled by a staff person.

RISK REGISTER

The categories used as column headings in a risk register can vary depending on the needs of an organization and the method of monitoring and managing risk. Currently the PAL risk register includes the following column headings.

- Risk Number
- Risk Category
- Description of Risk
- Risk Monitor
- Initial Probability
- Initial Impact
- Initial Priority

- Risk Response
- Risk Actions
- Revised Probability
- Revised Impact
- Revised Priority
- Date/Status

RISK MONITORING

The ultimate responsibility for monitoring risks belongs to the Executive Director, although the work may be assigned to a staff designate. However, in an organization with few staff and a working Board, assistance can be provided by the volunteers most closely associated with the categories where risks have been identified and assessed. This monitor could be a committee Chair, or a committee volunteer in a role directly related to the identified risk.

Once a risk has been identified, it would be helpful to try to determine the *root cause* of the potential problem – the real or underlying reason that the problem might occur. Knowing the root cause could lead to mitigation strategies to minimize the probability and/or impact of the risk.

How do you know there is a problem? *Triggers* are indicators or symptoms of actual risk events. (e.g. Loud screeching brakes might indicate that your brake pads are badly worn or damaged which could result in a risk of stopping power, should you decide to continue to drive the vehicle).

This is another area where brainstorming would be a good tool to identify possible root causes and triggers (early warning signs).

LIST OF POLICIES RELATED TO RISK MITIGATION

Refer to the list of PAL (55+) Approved Policies to see which ones are identified as risk mitigation strategies and guidelines. Additional policies will be developed as needs are identified through processes such as risk identification and analysis.