RISK MANAGEMENT

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WHAT IS RISK MANAGEMENT

It is the process of;

- Identifying

- Assessing

- Controlling threats to an organization's capital and earnings.

Financial Uncertainty

Risks that affect an organization's financial stability and performance

Legal Liabilities

Potential legal issues that could result in financial losses

Strategic Management Errors

Poor decisions that impact organizational goals and objectives

Accidents

Unexpected events that can cause harm or damage

Natural Disasters

Environmental events beyond human control

It involves a systematic approach to managing uncertainty and minimizing potential losses. It encompasses the identification of risk evaluation of their impact, development of strategies to manage them and monitoring the effectiveness of these strategies.

TYPES OF RISK

Financial Risk

Market risk, Credit risk, Liquidity risk, Operational risk

Financial risk can result from changes in market conditions, interest rates, currency exchange rates, or the finance of counter parties.

Strategic Risks

Associated with overall decisions and goals of an organization

Can result from prior business decisions, changes in the competitive landscape or failure to adapt to market trends

Reputational Risks

Risks that can damage an organization's reputation leading to loss of customer trust, brand value and market size

Cyber-Security Risks

In an increasingly digital world, cyber-security are a major concern. These include data breaches, hacking and cyber-attacks

Operational Risk

Arise from internal processes, system, people or external events

Examples include system failures and human errors

Compliance Risks

Potential loss or reputational damage due to non-compliance with laws, regulations or internal policies

Environmental Risks

Risks related to environmental factors such as natural disasters, climate changes and environmental regulations

RISK MANAGEMENT PROCESS

STEP 1: RISK IDENTIFICATION

First step is to identify potential risks that could impact the organization. This involves gathering information from various sources including historical data, expert opinion and industry benchmark.

STEP 2: RISK ASSESSMENT

Once risks are identified, they need to be assessed in terms of their potential impact. This helps prioritize risks and allocate resources effectively.

STEP 3: RISK MITIGATION

In this step, strategies are developed to manage and mitigate risks. This can include:

- Implementing controls
- Developing contingency plans
- Transferring risk through issuance of contracts

STEP 4: RISK MONITORING

On-going monitoring is essential to ensuring that risk management strategies are effective and identifying new risk as they emerge. This involves regular reviews, audits and reporting.

STEP 5: RISK COMMUNICATION

Effective communication is critical for risk management. These involves keeping stakeholders informed about risks and the measures taken.

Transparent communication builds trust and ensures everyone is on the same page.

RISK MANAGEMENT APPROACHES

1. Avoidance

This involves eliminating activities that expose an organization to risk. For example, a company might minimize the impact or likelihood of risks. This can be achieved by implementing safety measures, improving process or using processes or using technology to detect and prevent risk.

2. Transfer

This involves transferring the risk to another party, typically through insurance as contracts. For instance, a company might purchase insurance to cover potential losses from a fire.

3. Acceptance

In some cases, organization may choose to accept the risk and bear the potential loss. This is often the case when the cost of mitigating the risk is higher than the potential impact.

4. Sharing

This involves distributing the risk among multiple parties. Joint ventures and partners are common examples of risk sharing.

Risk management emphasizes various approaches to address different types of risk.

IMPORTANCE OF RISK MANAGEMENT



Protection of Assets

Safeguards financial resources, physical assets, and intellectual property

Business Continuity

Ensures operations continue during disruptions

Strategic Decision Making

Provides insights for informed choices

Regulatory Compliance

Helps avoid legal penalties and reputational damage

Enhanced Reputation

Builds trust with stakeholders

Why is risk management important?

1

Safeguard Assets

Effective risk management protects an organization's financial resources, physical assets, and intellectual property - ensuring long-term sustainability.

2

Ensure Business Continuity

By developing contingency plans, disaster recovery strategies, and business continuity measures, risk management helps organizations weather disruptions and keep operations running.

3

Enable Strategic Decisions

Identifying potential risks and their impacts allows organizations to make informed choices that align with their goals and risk appetite, driving progress towards strategic objectives.

4

Ensure Compliance

Compliance with laws and regulations is critical, helping organizations avoid legal penalties, departmental damage, and financial losses.

5

Build Stakeholder Trust

A strong risk management program enhances an organization's reputation, brand value, and market position by instilling confidence in customers, investors, employees, and regulators.

REAL TIME EXAMPLES OF RISK MANAGEMENT

CASE-STUDY 1: FINANCIAL INDUSTRY

In the financial industry, risk management is critical for managing market volatility and ensuring regulatory compliance e.g. JP – Morgan chase during the financial crisis.

The banks chief risk manager implemented series of measures to manage risk including;

- Stress testing
- Improving liquidity
- Diversifying Assets

These steps helped the bank measure the crisis better than many of its competitors.

CASE 2: HEALTH CARE INDUSTRY

In health care industry, risk management focuses on Patient safety, regulatory compliance, and data security.

For example, the mayo clinic has a robust risk management programs that includes regular training for staff, strict adherence to medical protocols and comprehensive cyber-security measures to protect patient. These efforts ensure high quality care and protect against potential liabilities.

CASE 3: MANUFACTURING INDUSTRY

In the manufacturing industry, risk management involves ensuring product quality, supply chain resilience and workplace safety.

Toyota, for example implements risk management strategies across its operations. This includes vigorous quality control measures, regular supplier audits and contingency plans for supply chain disruption. These practices help maintain high standards and minimize risks.

RISK MANAGEMENT TOOLS AND SOFTWARE

RISK ASSESSMENT TOOLS

These tools help identify and assess risks.

- Check list
- Risk register

RISK ANALYSIS SOFTWARE

This software helps analyze risk and their potential impact.

- Statistical analysis tools
- Simulation models
- Risk mapping software

RISK MONITORING TOOLS

These tools enable organizations to monitor risks in real time.

- Cash boards
- Representing tools
- Automated alerts

RISK MANAGEMENT INFORMATION SYSTEM (RMIS)

It is a comprehensive software solution that integrates various risk management functions, including risk identification assessment, mitigation, and monitoring.

CHALLENGES

Identifying Unknown Risks

It is challenging to identify all potential risk especially those that are unknown or emerging.

Resource Constraints

Effective risk management requires resource including time, money and expertise. Organizations with limited resources may struggle to implement comprehensive strategies.

Resistance to Change

Employees and managers may resist changes to processes and practices, especially if they perceive risk management might add additional work a hindrance to their task.

Complexity of Risk

Risks are always complex and interconnected, making it difficult to and manage them. This requires a holistic approach and use of advance tools and techniques.

Maintaining Compliance

Regulatory requirements are constantly evolving and organizations must stay up to date with changes to ensure compliance. This can be challenging and resource intensive.

BUILDING RISK AWARENESS CULTURE

This means that everyone in the organization from top management to frontline employees understand the importance of risk management and actively participate in the process.

Building risk awareness culture involves several key steps: LEADERSHIP COMMITMENT, TRAINING AND EDUCATION, INTEGRATION WITH BUSINESS PROCESS, and CONTINOUS IMPROVEMENT.

CONCLUSION

Risk Management Importance

Risk management is essential for protecting assets, ensuring business continuity, and achieving strategic objectives.

Ongoing Process

Risk management is continuous and involves monitoring, evaluation, and improvement.

Key Message

Stay informed, stay prepared, and manage your risk effectively.

RISK REGISTER

RISK ID	RISK NAME	RISK DESCRIPTION	IMPACT LEVEL	PROBABILITY LEVEL	PRIORITY LEVEL	STATUS	MITIGATION LEVEL	OWNER	DATE CLOSED
Risk 1	Use of temporary copies of land compensation files and administration file	Old files disappear and new are opened using photocopies of documents	5	5	25	open	Work in progress	Head land management. Head of records	
Risk 2	Manual records of files	Records are manually done and prone to manipulation	4	2	8	open	Work in progress	Head of records	
Risk 3	Arbitrary staff structure	Structure being implemented selectively	5	2	10	open		Head of human resource	

Risk 4	No clear policy on interns and graduate trainees	Their roles are not clear and criteria for recruitment s not clear. They might get involved in insider dealing if not well supervised and controlled	5	2	10	open		head of human resource	
Risk 5	Record keeping is not computerize d	Manual retrieval of files takes time and increases lead time to deliver the service	5	2	10	open	Work in progress	Head of ICT	

RISK 6	Lack of policy on internal control	There is no clear-cut well-defined segregation of duties. It can lead to connivance and insider dealings	5	4	20	Open	Work in progress	Head of Accounts	
RISK 7	Lack of clear policy and guidance on fleet manageme nt	Allocation of transport to individual staff is not based on a particular criterion	3	2	6	open	Work in progress	Under secretary	
RISK 8	Lack of stores and inventory officer	Using officer who have no training in stores and inventory manageme nt is conflict of interest	5	5	25	open	Work in progress	Accounting officer	

Risk 9	lack a clear management in safety and security	Poor vetting of visitors without walks through machines at ULC receptions	2	2	4	Work in progress	Work in progress	Under secretary	
Risk 10	Poor internet/ Wi-Fi coverage	Poor internet/ Wi-Fi means delayed communication within the various officers	3	2	10	open	Work in progress	ICT officer	
Risk 11	Interns/trainees handling sensitive documents and activities	Sensitive documents and activities handled by interns and trainees stand a risk of misuse and abuse. If not checked and given close supervision can lead to bad image.	5	2	10	open		Principal human resource officer	

Risk 12	Only one ICT/IT officer	In case the only staff in unit falls sick or goes for annual leave, there is a huge problem in case of trouble shooting or IT related problem.	5	3	15	open		Accounting officer	
Risk 13	contract Managemen t, as a requirement by PPDA	Poor contract manageme nt during procuremen t process	5	2	10	open	Work in progress	Accounting officer	
Risk 14	Lack off a dedicated established legal department	Court cases are piled up with no dedicated legal staff to represent ULC, hence creating legal charges and contingent liabilities	4	3	12	open	Work in progress	Accounting Officer	

Risk 15	Staff check out after work and leave computers on and lights in offices not switched off	Computers can blow off during power outage and lights left increase electricity bill	4	2	8	open	Work in progress	Under secretary	
Risk 16	Delayed admission of new head of procuremen t	It means delayed procuremen t process and hence funds can be returned to treasury	5	5	25	open	Work in progress	Accounting Officer	
Risk 17	Lack of land fund manageme nt department	Land fund as a department is not in existence in practical terms	5	5	25	open		Accounting officer	

Risk 18	Planning unit is not separated from a non-existent land fund department	It leads to unclear budget allocation and unclear reporting procedures	5	5	25	open		Accounting officer	
Risk 19	Unclear structure of the organogram	Procurement and disposal unit and human resources are not included in the finance and administration department	3	2	6	open			