1. INTRODUCTION

The Board and Management of KWC recognise that the nature of activities undertaken by the organization and the environment in which it operates expose it to certain risks. The key to KWC success is therefore based on effective management of risk to ensure that the organization objectives are achieved. Risk may occur in several ways and may have the potential to impact financial performance, reputation, health and safety, community and overall performance of the organization. This document therefore focuses on risk management system of KWC.

1.1. Who the Document Belongs

This Risk Management Policy document is for the Directors, Executive Director, Managers, Senior Staff of Kumasi Wood Cluster Association (KWC). It applies also to the Small and Medium Forest Enterprises (SMFEs) as well as other stakeholders who benefit from KWC's products. The policy provides a step-by-step approach to help Management identify, assess, monitor and manage risk at KWC.

1.2. Definition of Risk

It is common to think of risk as what might go wrong in an organisation. But a more precise definition is the effect of uncertainty on an organisation's objectives. In this regard, risk includes both:

(a) potential threats to achieving KWC objectives (negative risk), and

(b) potential opportunities for achieving KWC objectives (positive risk).

1.3. KWC Attitude to Risk

The Board, Staff, and stakeholders of KWC operate under an open and honest communication about the risks it faces. In this regard, Management of KWC encourage openness within the organisation for all employees. Consequently the Board of Directors will establish the right "tone at the top". This implies that at KWC an ethical climate is created for Leadership to act right. The Board of Directors and employees will foster a climate whereby employees and volunteers act in a manner that upholds the highest ethical standards while carrying out their duties.

To monitor how closely risk mitigation strategies are ultimately followed, management and the Board will ensure that all actions to be taken to mitigate risks will need to be documented and made available to all employees and volunteers when they are first engaged.

1.4 Best Practice

KWC will always investigate best practices in its industry and the relevant legal requirements to set its standards of behaviour. Similarly the orgnisation will try to learn from the experience of others in the same sector so as to enable it do a better job of avoiding situations that create potential liabilities.

1.5. Why Risk Management?

Risk management aims firstly to anticipate risks. Then, in the case of negative risks, it aims to prevent them from eventuating or to minimize their impact if they do happen. In the case of positive risks, it aims to capitalise on opportunities that present themselves. This document is mainly concerned with managing negative risks.

Since responding to risk is intended to help KWC achieve its objectives, risk management will be integral to strategic planning, decision-making, and resource allocation.

A risk management system encompasses such elements as:

- a risk management policy,
- a risk management framework,
- a risk treatment, and
- various risk management tools and processes (Appendices 2a-7).

As risk is present at all levels of an organisation's activities, it is to be assumed that there are risks that may affect KWC as a whole. There are risks that may affect only financial activities, or only service delivery activities, as well as risks that may affect both. There are also risks specific to each and every project that KWC will undertake. What this means is that everyone in KWC bears some responsibility for managing risk.

Risk management is good business practice and can assist with meeting a range of compliance, statutory, organisational and governance requirements.

2. RISK MANAGEMENT SYSTEM AT KWC

The risk management system at KWC explains the architecture by which it focuses on key building blocks such as the principles underlying the risk policy of the organization, the risk framework, and risk assessment process and tool.

2.1. Risk Policy at KWC

KWC recognises that it is exposed to internal and external risks due to the nature of its operational activities. In order to fully appreciate such risks, the Board and Management have decided to establish a risk management policy which provides a framework on how risk is managed in the organization. KWC management is mandated to use its skills and expertise to identify risks across the organization. Through its crucial risk management strategy, KWC

reviews its susceptibility to unexpected incidences, and then develops strategies either to prevent the incidences from happening or to reduce unintended damage and expense when they do occur. Good risks management ensures that KWC has enough resources to carry out its mission and to also ensure that its actions will not harm employees as well as the stakeholders they deliver on their mandate.

KWC is conscious of all vulnerable events that could impose staggering costs upon it or entirely shut down its operations without a risk management plan. KWC reviews its plan any time management makes a significant change to the types of activities they engage in, or when acquiring a piece of property.

KWC takes three fundamental steps to create a risk management plan:

1. *Assess the risks;*
2. *Mitigate the risks to the greatest extent practicable;*
3. *Mitigate Financial risk*

2.1.1. Risk Assessment

At KWC, we identify all the possible risk factors by assessing all our actions and relationships that could possibly go wrong and take steps to eliminate them before an injury or untoward incident occurs. Hence, we manage our risks to demonstrate our commitments to complying with all International and national laws to satisfy our legal obligations and create a safe work environment to reduce genuine liabilities (See Appendix 1).

Identifiable Risks at KWC:

1. **Physical Injury**: Knowing that this can be a form of liability that may take many forms (slips and falls during field visits, vehicular accidents and bodily injuries among others).

2. **Business Related Injury**:

3. **Business Related Risks**:

    a. **Inadequate Funds** to undertake projects.

    b. **Maintenance of KWC's assets and resources**.

4. Financial Risks:

    Financial risks which can mean any risks that have to do with finances for example:

    a. Risks that KWC is unable to achieve its financial goals.

    b. **Liquidity risk**: Liquidity risk which includes asset liquidity and operational funding liquidity risk. Asset liquidity refers to the relative ease with which KWC can convert its assets into cash should there be a sudden, substantial need for additional cash flow. Operational funding liquidity is a reference to daily cash flow. General or seasonal downturns in revenue that presents a substantial risk if KWC suddenly finds itself without enough cash on hand to pay the basic expenses necessary to continue functioning as an organization. This is why cash flow management is critical to KWC's success.

c. **Operational risks**: Operational Risks refer to the various risks that can arise from KWC's ordinary business activities. The operational risk category includes lawsuits, fraud risk, personnel problems and business model risk, which is the risk that KWC's models of marketing and growth plans may prove to be inaccurate or inadequate.

5. **Government Agencies Risk:**
   a. Changes in forest sector policies.
   b. Readiness to adapt and adopt project recommendations.

6. **Project Beneficiaries:**
   a. Willingness to adopt and adapt project tools in the operations.
   b. Willingness to comply with project findings and recommendations.

7. **Office Premises:**
   a. Location of KWC Office is close to a petrol filling station.

2.1.2. Risk Mitigation

KWC's risk mitigation strategy includes both physical precautions and administrative procedures that are taken to reduce its exposure to risks.

As a key step in mitigating the risks identifiable with the operations of KWC, both the Board and Management are well informed about all the rules (found in contracts, lease agreements, licensing, accreditation requirements, criminal, tax law and Ghana's laws) that regulate KWC and its activities.

Steps in Mitigating Risks at KWC:

i. **Safety First** - As a key step in mitigating our risks, we at KWC have taken actions necessary to ensure that our facilities and program activities are safe. A thorough risk assessment is undertaken on regular basis and such an assessment includes an inspection of KWC's premises and official vehicle(s). If the inspection leads to any discovery of potential hazards, such as faulty fixtures, loose railings or poor lighting and vehicular mechanical and electrical faults, KWC arranges for appropriate maintenance work and make certain to perform it. Any conditions that cannot readily be repaired, fence off or isolated, warning signs are put up.

   KWC keeps in close proximity a first aid kit with recommended medical supplies which are needed in case an emergency care is required.

ii. **Training of Employees**. Being the first line of defense, all employees and volunteers of KWC, the importance of looking out for the safety and security of KWC's stakeholders and employees, as well as the security of its assets is stressed during staff orientations.

   Knowing that an employee can only follow a rule or procedure that has been explained to him or her, at the least opportunity, employees of KWC are given the opportunities of participating in work place occupational hazard training workshops.

All employees or volunteers of KWC are encouraged to report important information on any identified risk to Management and possible mitigation actions taken to prevent them from happening.

KWC also ensures that each rank within its organisational structure has a position description so that employees and volunteers are aware of what their responsibilities are. Board Members are also made aware of their duties and liabilities.

iii. **Physical Injury**: We will take all precautions to take duty care to others (employees and all other stakeholders at our programs and field visits) to avoid such injuries by ensuring that basic precautionary measures are spelt out in simple language even though KWC is always liable for the actions of all volunteers or employees on duty calls. KWC maintains a stringent maintenance culture of all its official vehicle(s) to prevent damaging mechanical faults which render it/them mechanically not road worthy. All vehicle licensing documents {road worthy certificates and insurances} are renewed before their expiry dates. All drivers whether employed or hired by KWC show their driving licenses for inspection and verification of their validity before embarking on any journey.

iv. **Business Related Injury**: Since slander and Libel are seen as a possible source of business risk in the course of duty of all KWC employees, as much as possible, all employees are admonished to be weary of not making any false and damaging statements against anybody be it a colleague employee, volunteer, Management or Board Member. Employees are also cautioned to desist from making statements or comments to undeservedly discredit a person by misrepresentation.

KWC as a matter of policy disassociates itself from any of the above and the liable employee faces the consequences.

v. **Business Related Risks**:

   a. ***Over-Reliance on Single Donor funds***: KWC sources of funding is diversified in order not to be overly dependent on one donor for funds.

   b. ***Changes in Donor Focus***: KWC has diversified its management team by employing diverse but related expertise in other environmentally related sectors and formed partnerships with other organisations within and/ or outside the country.

vi. **Government Agencies**

   a. *Changes in Forest Sector Policies*: KWC constantly is in contact with government agencies to be abreast with any policy changes.

vii. **Project Beneficiaries***:*

Project Beneficiaries include Managements of SMFEs and Opinion Leaders in communities who serve as points of contacts for the dissemination of project recommendations and tools. There is willingness to adapt and adopt project tools in their daily operations and compliance with project findings and recommendations.

3. KWC RISK MANAGEMENT FRAMEWORK

3.1. Introduction

The Risk Management Framework is designed to provide a general understanding of the organization's broad approach to risk management. It integrates all major risks at KWC in a unified conceptual and planning platform. The framework is also aligned with KWC's governance, strategy and planning; management, work plans and activities; internal and external reporting processes and communication mechanisms; and policies, procedures, values and culture.

The framework clarifies the accountabilities, reporting and escalation processes as well as the communication and consultation mechanisms for internal and external stakeholders.

3.2. Developing the Risk Management Framework

KWC risk management framework was designed based on following the steps:

1. The Risk Management Principles
2. Understanding of KWC and its Context
3. KWC Risk Management Policy
4. Accountabilities established
5. Integration of Risk Management into KWC's Processes, Culture and Values
6. Resource Allocation to Risk Management at KWC.
7. Internal and External Communication and Reporting Mechanisms.

Some overlaps exist among the steps used to design the risk management framework for KWC and the Risk Management Process because there is a circular, iterative relationship between Process and Framework, each informs the other.

3.2.1 Consider the Risk Management Principles

KWC risk management framework was developed based on the following 11 principles that provide useful guidance for integrating risk management into the organisation and the principles also inform the design, implementation and periodic review of the Framework.

These Principles are that risk management:

1. creates and protects value

2. is an integral part of all organisational processes

3. is part of decision-making

4. explicitly addresses uncertainty

5. is systematic, structured and timely

6. is based on the best available information

7. is tailored to the organisation's requirements

8. takes human and cultural factors into account

9. is transparent and inclusive

10. is dynamic, iterative and responsive to change

11. facilitates continual improvement of the organisation.

During the preparation of the existing Framework, the 11 Principles were also used as a benchmark against which to measure KWC's risk management system and identify areas for improvement.

3.2.2 Understand KWC and its Context

In establishing the Framework, KWC took into account the social, cultural, financial, legal and regulatory environment in which it operates. Furthermore, the mission or purpose of KWC, KWCs management style, size, and the simplicity or complexity of its processes and practices were also taken into account.

3.2.3 Develop the Risk Management Policy

KWC's Risk Management Policy (See Section 2.1) highlights high-level statement of its intentions and directions as to how risk is managed.

The Policy was established by the Board and operationalised by the Executive Director or his equivalent. It is communicated to employees and stakeholders, as appropriate to ensure that all risk management processes and practices are carried out in accordance with it.

3.2.4 Accountabilities

To ensure effective implementation of risk management, accountabilities are integrated into the risk management operations. KWC Board delegates the overall responsibility for risk management to the Executive Director. To achieve accountability for specific risks, risks are assigned to nominated risk managers who are held accountable for managing them.

3.2.5 Resource Allocation to Risk Management at KWC.

It is important to note that all risk activities require time and money. At KWC adequate resources are allocated to the development of risk policy, risk framework and risk register. Furthermore, managers are encouraged to perform activities related to risk management as part of their normal operational tasks in order that risks activities are not starved with resources.

3.2.6 Internal and External Communication and Reporting Mechanisms

At KWC, risk management activities are communicated or reported to both internal and external stakeholders. The communication of risks policies and strategies is usually done through KWC's existing communication and reporting mechanisms.

Performance of the risk management system and outstanding risk treatment actions are reported to Board of Directors.

3.3 Overview of the Risk Management Process

The Risk Management Process is the whole set of activities carried out to **identify, assess, manage and monitor any risks** to which KWC may be exposed. Diagram 1 below outlines the main steps.
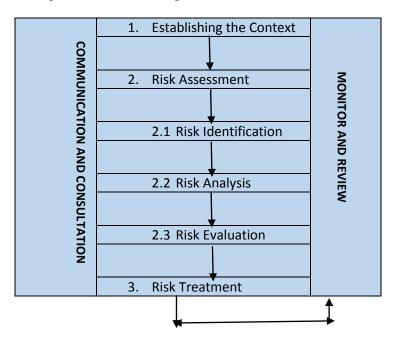
Diagram 1: The Risk Management Process

COMMUNICATION AND CONSULTATION		MONITOR AND REVIEW
	1. Establishing the Context	
	2. Risk Assessment	
	2.1 Risk Identification	
	2.2 Risk Analysis	
	2.3 Risk Evaluation	
	3. Risk Treatment	

Each of the numbered steps is discussed in turn. As one works through these steps, one generates information that are entered into the Risk Register (see Appendices 2A and 2B).

Note that 'Communication and consultation' and 'Monitor and review' are not numbered. They are not part of the steps in the sequence, but ongoing processes conducted as part of every step.

3.3.1 Establishing the Context

The first step of the risk management process is to establish the context. Under the context, the scope of all risk management activities at KWC is defined. Risk management at KWC cover both internal and external environmental factors such as strategic,

operational, functional, stakeholders, social, legal and cultural. The following areas are covered under the context:

- Confirmation of organisational objectives
- Identify stakeholders
- Define risk assessment criteria

Confirmation of Organisational Objectives: KWC risk management process has been developed by taking into cognizance KWC's overall objective of coordinating and collaborating the efforts of partners (SMFEs) in overcoming the raw material, environmental pressure and marketing challenges that affect the growth of their businesses.

Identify of Stakeholders: The key stakeholders of KWC must be identified and listed. This helps in determining what risk information is communicated to whom, and who should be consulted on which risk issues. The stakeholders of KWC are as follows: Board members, Staff, volunteers, SMFEs, Funders, Suppliers, Community members, District Assemblies, Government agencies, and Forestry Commission.

Define Risk Assessment Criteria: Risk assessment criteria must be defined and this will provide guidelines for evaluating the significance of the risk. The following factors were considered when defining risk assessment criteria at KWC:

- The nature and types of causes and consequences that can occur and how they will be measured.
- How 'likelihood' will be defined.
- The timeframe(s) of the likelihood and/or consequence(s).
- How the level of risk is to be determined.
- The views of stakeholders.
- The level at which risk becomes acceptable or tolerable.
- Whether combinations of multiple risks should be taken into account and, if so, how and which combinations should be considered.

This risk assessment criteria are reviewed from time-to-time as the organisation evolves due to the changes in the external environment.

3.3.2   Risk Assessment

After the context has been established, the next stage of the risk management process is the risk assessment. The process of assessing potential risk to KWC are as follows:

- Risk identification
- Risk Analysis
- Risk evaluation

Risk Identification: This covers all risks that KWC is exposed to, sources and causes, the potential consequences, areas of impact and any risk control measures put in place by KWC's management (See Section 2.1.1 of this document for detailed discussion of KWC risk assessment and Section 2.1.2 for discussion on risk mitigation measures put in place by management). Information about risk gathered here are entered into the risk register (See Appendix 1 for KWC Risk Register). A sample risk

identification form has been presented in Appendix 4 for management use. Furthermore, Appendices 2A and 2B are samples of a simplified risk register for which management can adopt in future when reviewing the current risk register. A checklist for developing a risk register has been provided in Appendix 3.

Risk Analysis: This section of risk assessment determines the likelihood of occurrence of each risk identified and its consequences should it occur. The following steps should be followed when conducting risk analysis:

- Define risk consequence and likelihood criteria.
- Assess risks against the consequence and likelihood criteria.
- Develop a risk matrix (See Appendix 8, page 32 for a sample of Risk Matrix Table)
- Determine risk levels and scores using the risk matrix.
- Develop a risk profile.
- Assign risk ownership.

For an example of risk consequence criteria, see appendix 5.

Risk Evaluation: The objective of risk evaluation is to list all risks in order of priority for action. The list should show which risks need treatment and which ones don't. The following steps are followed for those risks that need treatment:

- Develop escalation and retention guidelines (See Appendix 6 for a sample).
- Evaluate risks.
- Escalate risks.

3.3.3   Risk Treatment

The aim of this step is to identify and implement the most appropriate means to mitigate risks considered to be unacceptable. The stages under risk treatment are:

- Identify risk treatment options.
- Select the most suitable risk treatment option(s).
- Develop risk treatment plan (See Appendix 7A for Risk Treatment Plan Tool and 7B for Sample of Risk Treatment Plan).
- Implement and review risk treatments.

ADOPTION

This policy was adopted by the Board of Directors of the Kumasi Wood Cluster Association on;

Date: 30/04/2019

Signature: *Alhassan Attah*

Name: Alhassan Attah

Position: Chairman of KWC Board

Appendix 1.

KWC RISK ASSESSMENT &MITIGATION MEASURES REGISTER

KWC Risk Assessment & Mitigation Measures Register					
Sources of Risk	Risk Evaluation			Responsible Person	Mitigation Measures/ Recommended Actions
	Likelihood of occurrence (Probability)	Likelihood impact of Risk (Consequence)	Overall Rating		
Physical Injury					
Slips and Falls	Low	High	Medium	General Manager (GM)	Ensure basic precautionary measures are spelt out e.g. Provision of appropriate PPEs to field personnel; KWC will maintain a stringent maintenance culture of all its official vehicle (s) to prevent serious mechanical faults which will render it/them mechanically not road worthy. All vehicle licensing documents {Road Worthy Certificate (s) and Insurance (s)} will be renewed before their expiry dates.
Vehicular accidents	Moderate	High	Medium	GM	Ensure routine maintenance schedule of official vehicle (s) and repair damages as and when they occur; Assurance will be sought from companies where vehicles are hired for their good maintenance status.
Bodily injuries	Low	Low	Low	GM	Administer appropriate first aid and take the injured person to the nearest medical facility
Business Related Injury					
Slander and Libel	Low	Low	Low	Executive Director	All employees will be cautioned to be weary of not making any false and damaging statements against anybody be it a colleague employee, volunteer, Management or Board Member. Employees will also be cautioned to desist from making statements or comments to undeservedly discredit a person by misrepresentation. KWC will as a matter of policy dissociate itself from any of the above and the

					liable employee will have to face the consequences.
Business Related Risks					
Reliance on Donor funds	High	High	High	Board members and staff	Diversify funding sources
Changes in Donor focus	High	High	High	Board members and staff	Employ staff with diversified backgrounds in related fields. • Form Partnerships with other organisations within and or outside the country.
Government Agencies					
Changes in forest sector policies	Moderate	High	Medium	Executive Director	KWC will constantly be in contact with government agencies to be abreast with any policy changes.
Readiness to adapt and adopt project recommendations	High	Moderate	Medium	Executive Director	Project recommendations will be submitted to high level Officers who can influence the adoption of recommendations.
Project Beneficiaries					
Willingness to adapt and adopt project tools in their operations	Moderate	Moderate	Medium	Project Staff	Management of SFMEs and opinion leaders in communities will be point of contacts for the dissemination of project recommendations and tools.
Willingness to comply with project findings and recommendations	Moderate	Moderate	Medium	Project Staff	
Office Premises					
Location	High	High	High	Board members	The current office space is located at a fuel station and any untoward occurrence can adversely affect employees and properties of KWC

Appendix 2A

THE RISK REGISTER

The Risk Register is a tool used to assess, prioritize and mitigate organization-wide risks

Risk #	Risk Category	Risk Name/ Description	Controls	Consequence	Likelihood	Risk Rating Level (Determined by the score of Consequence * Likelihood)	Risk Score

Appendix 2B

THE RISK REGISTER CONTD.

Treatment #	Risks Treated	Treatment Plan (Refer detailed Plans)	Residual Consequence	Residual Likelihood	Residual Risk Rating/ Level	Residual Risk Score	Additional Action

Appendix 3

CHECKLIST FOR DEVELOPING RISK REGISTER

The following checklist has been prepared to assist in the development of the Risk Register. It contains key questions to be asked, and shows how various components of the Risk Register link together.

Communication and consultation (Ongoing process)	STEP	KEY CONCERNS	Monitor and review (Ongoing process)
Has consideration been given to maintaining communication throughout the entire Risk Management process? *Have stakeholders been identified?* *Have decisions been made to communicate what and to whom?* *Has a reporting system and to whom?* *Has a reporting and communication process been established?* *Linkages: Risk Management Framework*	1. Establishing the context	• Have the organisation's objectives been taken into account? • Have stakeholders been identified? • Have the risk criteria been defined? • Have the risk assessment criteria been defined?	*Have the established procedures been followed? Is there a requirement to escalate or de- escalate risks to the next level? Linkages: Risk Management framework*
	2. Risk assessment	• What can go wrong, when and how? • What is the potential cost to time, money and performance? • How likely is it to happen? • What are the impacts of each risk? • What is the source of the risk? • What can be done to reduce/ control the risk?	
	2.2 Risk Analysis	• Are there any existing controls? • Have the consequence of the risks been considered? • Has the likelihood criteria been applied? • Has a risk matrix been developed?	
	2.3 Risk evaluation	• Have the risks been compared against the set criteria? • Have escalation and retention guidelines been developed? • Has a decision been made to treat the risk? • If no, continue to monitor and review the risks.	
	3. Risk treatment	• Have all treatment options been identified? • Have all options been assessed? • Have treatment plans been prepared and are they ready for implementation? • Have residual risks been analysed and evaluated? • Consider communication and consultation requirements.	

Appendix 4

THE RISK IDENTIFICATION FORM

DATE		REFERENCE	
		PERSON RESPONSIBLE	
RISK NAME/ DESCRIPTION			
DATE		REFERENCE	
RISK CATEGORY		PERSON RESPONSIBLE	
RISK NAME/ DESCRIPTION			
CONTROLS			

Appendix 5

EXAMPLE - RISK CONSEQUENCE CRITERIA

RISK NO.	RISK CATEGORY	RISK NAME/ DESCRIPTION	CONTROLS	CONSEQUENCE	LIKELIHOOD
SEVERITY LEVEL	Financial	Management Effort	Work Health & Safety	Reputation/ Community	Legal/ Compliance
CRITICAL	Loss, error or omission **>15%** of annual budget or projected revenue	An event so severe in nature it could lead to a significant restructure of the organisation or its major parts or a change in the management structure.	Fatality and/or severe irreversible disability (>30%) to one or more persons or permanent disabling injury or disabling illness to one or more persons	Ongoing serious public or media outcry (state or national coverage)	Significant prosecution and fines, very serious litigation
MAJOR	Loss, error or omission **10% - 15%** of annual budget or projected revenue	An event, which with proper management can be endured, may involve some changes in management, additional resources required	Series of significant but reversible disabilities requiring hospitalisation	Serious public or media outcry (local coverage)	Major breach of regulation, prosecution or major litigation
MODERATE	Loss, error or omission **5% - 10%** of annual budget or projected revenue	An event that can be managed under normal circumstances, additional resources required, potential reallocation of resources	Significant but reversible disability requiring hospital visit	Heightened and/or significant adverse media attention	Breach of regulation with investigation or report to authority with prosecution and/or moderate fine possible
MINOR	Loss, error or omission **1% - 5%** of annual budget or projected revenue	An event, where the consequences can be absorbed but management effort is required to minimise the impact, potential reallocation of resources	First aid treatment required	Adverse media attention and/or heightened concern of local community	Minor legal issues, non-compliances and breaches or regulations
INSIGNIFICANT	Loss, error or omission **up to 1%** of annual budget or projected revenue	An event, where the impact can be absorbed through business as usual activity	Minor incident not requiring first aid	Minor local adverse public attention or complaints	Minor compliance issue

Appendix 6

ESCALATION & RETENTION GUIDELINES

RISK LEVEL	RISK TREATMENT GUIDELINES	ESCALATION & RETENTION GUIDELINES
EXTREME	Immediate action required to actively manage risk and limit exposure	Escalate to the Board, risks generally not accepted or retained
HIGH	Cost/benefit analysis required to assess extent to which risk should be treated - monitor to ensure risk does not adversely change over time	Escalate to Head of Agency, risks generally not accepted or retained
MEDIUM	Constant/regular monitoring required to ensure risk exposure is managed effectively, disruptions minimised and outcomes monitored	Escalate to relevant senior officer or senior management level, specify risk management actions, risks may generally be retained and managed at operational level
LOW	Effectively manage through routine procedures and appropriate internal controls	Monitor and manage at the relevant officer, or operational level, risks generally retained

Appendix 7A

RISK TREATMENT PLAN

RISK #		PLAN REF #	
RISK NAME		DATE LOGGED	
COMPILED BY		REVIEW DATE	
TREATMENT PLAN PERSONNEL		TARGET DATE	
REVIEWER		PRIORITY (HIGH, MEDIUM, LOW)	

TREATMENT PLAN	

Treatment Plan Objective(s):	
Proposed Actions	
Resources Required	
Responsibilities	
Timing for Implementation	
Monitoring Requirements (i.e. Weekly/ Monthly)	

Appendix 7B

 EXAMPLE - THE RISK TREATMENT PLAN

RISK#:	5	PLAN REF#:	1
RISK NAME	Failure to adequately report to the regulator resulting in potential fines and penalties	DATE LOGGED:	June 2018
COMPILED BY:	Financial Controller	REVIEW DATE:	July 2018
TREATMENT PLAN PERSONNEL:	Financial controller	TARGET DATE:	September 2018
REVIEWER:	Executive Director	PRIORITY (HIGH/MEDIUM/LOW)	High

TREATMENT PLAN:	Review and strengthen the reporting system and include in the audit process

Treatment Plan Objective (s)	To reduce the potential threat of fines and penalties arising from the risk of failure to adequately report in a timely manner
Proposed actions:	Review existing process Review reporting mechanism Develop draft change to process Obtain CEO approval for revised process Implement new reporting system
Resource required	Time (approximately 15 working days) No additional financial resource required – part of management time.
Responsibilities:	Financial controller reporting to the Executive Director
Timing for implementation	Three months
Monitoring requirements (i.e. weekly/monthly)	Monitor progress on risk treatment plan monthly as part of the existing management process

KWC
Kumasi Wood Cluster

SOME TERMINOLOGIES IN RISK ANALYSIS

Risk assessment is the overall process or method where you identify hazards and **risk** factors that have the potential to cause harm (hazard identification). Determine appropriate ways to eliminate the hazard, or control the **risk** when the hazard cannot be eliminated (**risk** control).

Risk Register: The Risk Register provides the Project Manager with a list of risks identified, stated clearly and assessed as to their importance to meeting project objectives. The risk register leads directly to risk handling, such as risk mitigation.

Risk Mitigation: Risk mitigation planning is the process of developing options and actions to enhance opportunities and reduce threats to project objectives. Risk mitigation implementation is the process of executing risk mitigation actions.

Risk Escalation: Risk Escalation is a risk management system whereby an increasingly higher level of authorization is required to sanction the continued tolerance of increasingly higher levels of risk
Adopting the following descriptors to rate risks helps to analyse risks:
Likelihood
Consequence
Risk Level
Control Effectiveness

Likelihood

Likelihood	Interpretation
Almost Certain	The event is expected to occur in most circumstances
Likely	The event will probably occur in most circumstances
Moderate	The event should occur at some time
Unlikely	The event could occur at some time
Rare	The event may only occur in exceptional circumstances

Consequence

Consequences	Interpretation
Extreme	The consequences would stop the Project from reaching its key strategic goals and objectives.
Very high	The consequences would threaten the Project's key strategic goals and objectives.
Medium	The consequences would not threaten the Project's key strategic goals and objectives, but would subject it to significant review.
Low	The consequences would threaten a minor aspect of the Project's operations but it would not affect the overall performance of the Project.
Negligible	The consequences pose no material threat to the Project.

Risk Level

Risk Level	Description
Severe Risk	Stops the Project from reaching its key strategic goals and objectives.
High Risk	Poses a threat to the Project's key strategic goals and objectives.
Major Risk	Likely to threaten the Project's key strategic goals and objectives.
Significant Risk	Unlikely to threaten the Project's key strategic goals and objectives but threatens a Project's specific function.

Moderate Risk	Likely to threaten a Project specific function.
Low Risk	Unlikely to threaten a Project specific function.
Trivial Risk	Risk has negligible impact on the Project. No resources allocated to risk.

Control Effectiveness

Control Effectiveness	Definition
High	The control will prevent the risk and the Project will achieve its key strategic goals and objectives
Medium	The control will mitigate the risk and the Project will partially achieve its key strategic goals and objectives
Low	The control will allow the risk and the Project will not reach its key strategic goals and objectives

Risk Level Matrix

	Consequences				
Likelihood	Extreme	Very High	Medium	Low	Negligible
Almost certain	Severe	Severe	High	Major	Significant
Likely	Severe	High	Major	Significant	Moderate
Moderate	High	Major	Significant	Moderate	Low
Unlikely	Major	Significant	Moderate	Low	Trivial
Rare	Significant	Moderate	Low	Trivial	Trivial