



Introduction to Risk Assessment

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Purpose

This workshop will

- ❖ **Define and assess the importance of risks** in private and public spheres of activities.
- ❖ **Present the steps of the risk management cycle** emphasizing the need to understand the potential impact of risks and proper responses to them.
- ❖ **Introduce some tools for analyzing risks** such as the risk matrix.

Reminder: What is Risk & Risk Management?

A **Risk** is a potential event that can have a negative or positive effect on the achievement of desired outcomes.

Risk management involves a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, making decisions on, and communicating risk issues.

Integrated risk management is a continuous, proactive and systematic process to understand, manage, and communicate risk across an organization. The process requires making strategic decisions that contribute to the achievement of an organization's overall outcomes.

Why Risk Management in Public Administration?

In Canada, the Integrated Risk Management Framework was implemented to:

- Support the government's **governance responsibilities** by ensuring that significant risk areas are identified, assessed, and mitigated;
- **Improve** results through more informed decision-making;
- **Strengthen** accountability, and
- **Enhance stewardship** by strengthening public service capacity to safeguard people, government property and interests.

Source: Treasury Board of Canada. Integrated Risk Management Framework. 2001

What About Other Countries?

Countries	Policies
United States	No global system but agency specific policies and practices
Australia	Since 2013, Public Governance Performance and Accountability Act
United Kingdom	HM Treasury began in 2004 supporting efforts to adopt risk management strategies
Singapore	Whole of Government integrated risk management established
Mongolia	What about risk management in public administration?
First assignment:	In teams of 2, put together elements of what Mongolia is doing in this sector.

Steps to Managing the Risk



Risk Management Cycle



Step 1: Identity and Define Risks

Use the stakeholder analysis and your knowledge of the **context** to identify key risks that could affect the achievement of the desired outcomes.

Identification methods

- Objectives-based risk identification

“Which outcomes could be affected by a specific risk?”

- Scenario-based risk identification

“Which situations could create a risk?”

- Taxonomy-based risk identification

“Which types of problems could create a risk?”

Assignment 2: Stakeholders and Risk

Using the activity you choose, make a short (4-5) list of the most important stakeholders, then assess the level of risk from 1 (low) to 4 (high), finally in one sentence summarize the effect on the outcome.

Stakeholders (priority)	Level	Effect on outcome

Step 2: Determine Effect of Risk on Outcomes

By carefully examining and analyzing the outcomes, and the **assumptions** for achieving results, the core question should be, “which outcomes could potentially be affected by a specific risk?”

The cause-and-effect relationship (if... then) will help determine specific risks.

Step 3: Identify Risk Responses

Accept: Assume awareness of the risk and accept the consequences and exposure.

Avoid: Refuse to accept the risk in order to avoid potentially unfavourable results.

Mitigate impact: Decrease impact by limiting the extent of possible damage.

Mitigate likelihood: Decrease likelihood through risk responses, prevention or anticipation.

Research: Obtain better, timelier information through research.

Transfer/Share: Treat risks by transferring or sharing exposure to others

Assignment 3: Assess Risk & Response

Based on your activity sheet and the work on risk you have already done, follow the model below to link risk, outcome and possible responses.

Risk #	Risk	Related Outcome	Risk Response: What will you do to respond to this risk (i.e. lower its potential impact and/or likelihood of occurrence)?
1	High staff turnover after the next election could set back our implementation of RBM	Increased staff use of RBM in planning and M&E at MRPAM	Activity: 1. Train all staff in RBM to reduce the negative impact of staff turnover on RMB going forward.

Step 4: Assess Level of Risk

Risks have two dimensions:

- **Likelihood**: how likely is the risk to occur in the next year?
- **Impact**: what will be the impact if it does occur?

To identify levels and interaction between the two use a **Risk Matrix**.

Global Affairs Canada Impact Criteria

Impact Criteria

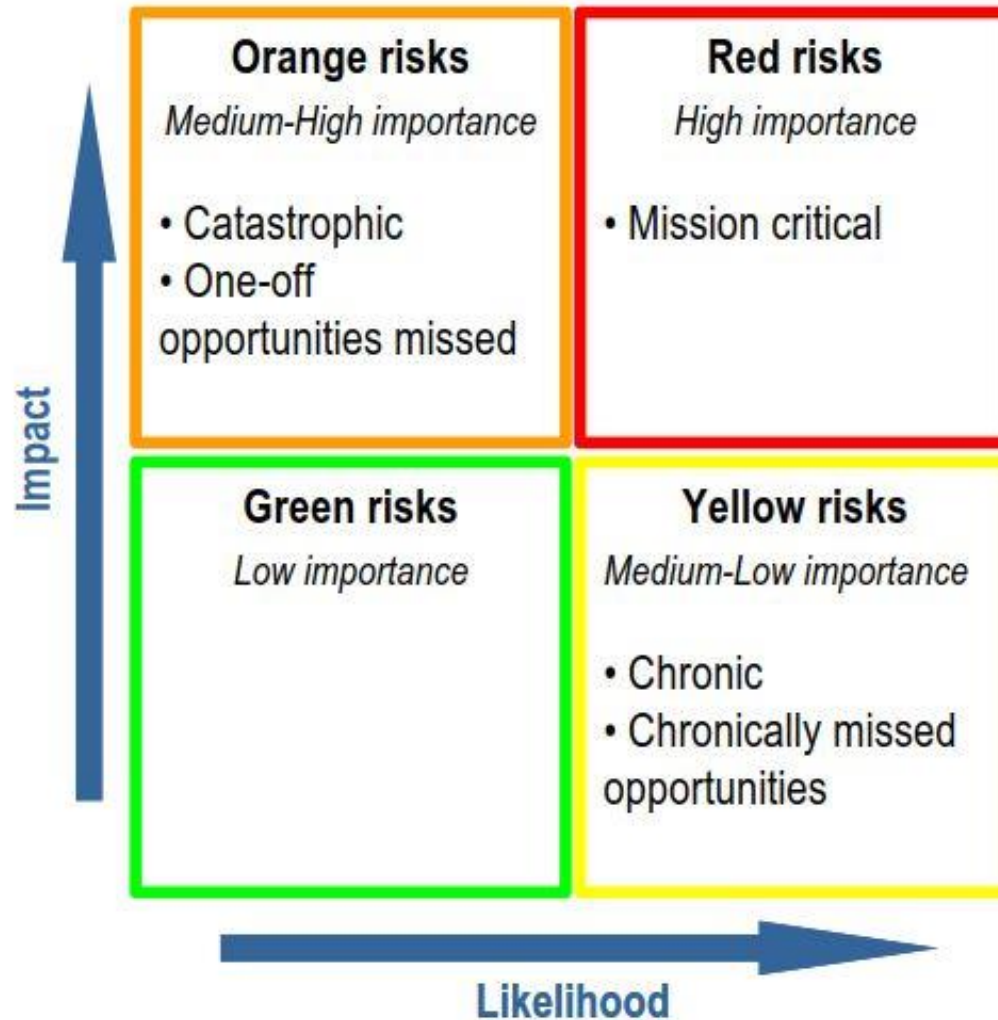
Impact on programming if risk event occurs	Very Limited 1 Very limited impact on development programming operations and outcomes. Consequences can be managed under normal operating conditions.	Limited 2 Limited impact on development programming operations and outcomes. Consequences can be managed with limited additional resources and/or managerial effort.	Moderate 3 Moderate impact on development programming operations and outcomes. Consequences can be managed with moderate additional resources and/or managerial effort.	High 4 Significant impact on development programming operations and outcomes. Senior management required to make major adjustments to plans and/or resource allocations.
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Risk Matrix: Environment example

		Likelihood						
		1	2	3	4	5	6	
		Remote	Highly unlikely	Unlikely	Possible	Likely	Highly likely	
Consequence	A	Catastrophic						
	B	Massive					Critical	
	C	Major				High		
	D	Moderate			Medium			
	E	Minor		Low				
	F	Slight						

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Simpler Risk Matrix: WFP



Assignment 4: Using a Risk Matrix

Again using your activity and all the work on risk, set the risk you identified in the WFP simpler matrix.

Step 5: Monitor, Update and Report

Implementing a robust **monitoring system**,
Producing **transparent reports**, and
Adjust the risk analysis to a changing context



Mitigate and prevent negative effects on the
outcome achievement.



Mongolia:
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