

Risk Management

Background

The Executive Board of the Crop Trust has responsibility for ensuring an appropriate risk management process is in place to identify and manage high and significant risks to the Organization. The Executive Board adopted an approach for the Crop Trust whereby the review and monitoring of key risks is a standing item at each fall Board meeting using a framework of identifying, assessing, managing and monitoring risks.

Analysis

Once a year identified risks are analyzed and given a risk rating considering the likelihood and impact of the risk. This Standard scores risks by considering the risk consequence of impact and likelihood of occurring using 5x5 qualitative classes (Table 1 below).

Table 1. Risk level scoring table

Likelihood	Consequence				
	Severe	Major	Moderate	Minor	Insignificant
Almost certain	High	High	High	Significant	Significant
Likely	High	High	Significant	Significant	Moderate
Possible	High	Significant	Significant	Moderate	Low
Unlikely	High	Significant	Moderate	Low	Low
Rare	Significant	Significant	Moderate	Low	Low
Risk Level: Legend	High: high risk; immediate action required Significant: significant risk; attention needed Moderate: moderate risk; management responsibility must be specified Low: low risk; manage by routine procedures				

Source: Adapted from Australian & New Zealand Standard: Risk management No: AS/NZS 4360:2004

The first step is to analyze the risk to obtain the ‘inherent’ risk score using the classes in Table 1. Following this, the impact of implementing risk mitigation actions is considered and then the analysis exercise is repeated, resulting in a ‘residual’ risk score. In most but not all cases the mitigation action will have an impact of reducing either the consequence and/or likelihood of the risk occurring, and thus the final residual risk score is often lower than the initial inherent risk score, although this is not always the case.

Management

By utilizing this approach, the Crop Trust is not attempting the impossible task of eliminating all possible risks, but is attempting to grasp opportunities to better understand the possible causes of failure and to manage them so as to minimize them or at least mitigate their impact on the Organization when they do occur.

The majority of the risk mitigation actions are therefore focused on reducing the risk likelihood, impact or both (such as the maintenance of systems of internal control) as opposed to risk avoidance or risk acceptance. The Crop Trust endeavors to manage risk by ensuring that the appropriate infrastructure, controls, systems and people are in place.

Table 2. Example of risk matrix – detail

Risk	1) 1 st risk analysis			Action/control to mitigate risk	3) 2 nd risk analysis		
	Likelihood x	Consequence =	Inherent risk		Likelihood x	Consequence =	Residual risk
Operations							
Health and safety incidents harm employees and visitors	Possible	Major	Significant	Occupational health and safety policies in place. Workplace risk assessment conducted regularly. Actions taken to reduce potential risks. Trained emergency team in place. Liability insurance in place.	Unlikely	Minor	Low

An example in given in Table 2 (above) where the risk score has been reduced through additional management actions is “Health and safety incidents harm employees and visitors”. Here the inherent risk of it occurring is ‘significant’, due to the ‘possible’ likelihood of it occurring multiplied by the ‘major’ consequence it could have on the Organization should it occur. However, following the adoption of increased mitigation actions as part of regular management procedures, the risk likelihood is reduced to ‘unlikely’ and the consequence of it occurring is also reduced to ‘minor’ because if it were now to occur, due to the various management actions with occupational and safety policies in place, trained emergency team and liability insurance in place, the consequences are modified. The result is an overall residual risk score of ‘low’.

By utilizing this approach, the Crop Trust is not attempting the impossible task of eliminating all possible risks, but is attempting to better understand the possible causes of failure and to manage them so as to minimize them or at least mitigate their impact on the organization when they do occur.

The majority of the risk mitigation actions are therefore focused on reducing the risk likelihood, impact or both (such as the maintenance of systems of internal control) as opposed to risk avoidance or risk acceptance.