

UNIVERSITY OF DAR ES SALAAM



SCHOOL OF ECONOMICS CENTRE FOR BEHAVIOURAL STUDIES (CBS)



RISK MANAGEMENT AND CONTROL POLICY



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SCHOOL OF ECONOMICS
CENTRE FOR BEHAVIOURAL STUDIES (CBS)

Risk Management and Control Policy

Risk Management Policy

| | |
|-------------------------|---|
| Policy Reference No. | CBS/POL/No.3 |
| Policy Title | Risk Management Policy |
| Purpose and Description | This Policy and related procedures provide guidance regarding the management of risk to support the achievement of Centre's objectives, protect staff and business assets and ensure financial sustainability of the Centre for Behavioural Studies (CBS) |
| Applicability | To all activities conducted by CBS staff, research fellows, downstream partners or any person directly or indirectly engaged in any activity implemented by the Centre, within and outside Tanzania. |
| Effective Date | August 2019 |
| Revision Date | July 2019 |

Glossary of Terms

| | |
|---|---|
| Risk | can be defined as the chance of something happening that will have an impact on the achievement of organisational stated objectives. |
| Risk management | can be defined as coordinated activities to direct and control an organisation with regard to risk. |
| Risk management Process | is the systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk. |
| Risk Identification | is the process of determining what, where, when, why and how something could happen. |
| Risk analysis | is a systematic process to understand the nature of and to deduce the level of risk. |
| Risk Criteria | are terms of reference by which significance of risk is assessed. |
| Risk evaluation | is the process of comparing the level of risk against the risk criteria. |
| Inherent likelihood of a risk occurring | is defined as the probability and frequency of its occurrence. |
| Inherent risk impact | is defined as the potential impact or consequence of a risk occurring and is generally expressed as being a financial loss, non-financial loss (e.g. damage to reputation, client impact, regulatory impact) or occasionally a gain. |
| Risk mitigation/treatment | involves identifying the most appropriate responses to reducing the inherent risk level to a status acceptable within the organisation's risk tolerance. |
| Residual Risk | is the remaining level of risk after risk treatment measures have been taken. |
| Risk acceptance | is the acceptance of the burden of loss, or benefit of gain from a particular risk. |
| Risk Assessment | is the overall process of risk identification, risk analysis and risk evaluation. |
| Risk reductions | are actions taken to lessen the likelihood, negative consequence, or both, associated with a risk. |
| Risk transfer | is the shifting of the responsibility or burden for loss to another party through legislation, contract, insurance or other means. Risk transfer can also refer to shifting a physical risk or part thereof elsewhere. |
| Risk Register | is a database of risks that face an organisation at any one time. Always changing to reflect the dynamic nature of risks and the organisation's management of them, its purpose is to help managers prioritise available resources to minimise risk and target improvements to best effect. |
| Monitor | is the continual checking, supervising, critically observing or determining the status in order to identify change from the performance level required or expected. |
| Control | is an existing process, policy, device or practice that acts to minimise negative risk or enhance positive opportunities. |

1. Introduction

Risk is the probability of an internal or external situation incident having the potential to impact upon an organization, preventing it from successfully achieving its objectives, delivering its services or capitalising on its opportunities. Risks are an everyday occurrence and they change as the operational environment changes that could potentially impact

on the Centre's ability to meet its obligations to stakeholders and the community. The Centre for Behavioural Studies (CBS) recognises that while some risks cannot be fully eliminated, they can be identified, controlled and managed to an acceptable level. Effective risk management is a means of monitoring the risk changes to an acceptable level.

2. Definition of Risk Management

Definition of Risk Management

Risk management is defined as the coordinated activities to direct and control an organisation with regard to risk. This document outlines the process of risk management and framework for the CBS.

3. Purpose of Risk Management Policy

The purpose of the Centre for Behavioural Studies (CBS) Risk Management Policy is to provide guidance regarding the management of risk to support the achievement of the Centre's objectives, protect staff and business assets and ensure financial sustainability.

Its main objective is to manage risks to minimise the exposure of itself and its stakeholders to any event, or set of occurrences able to cause adverse effects, while concurrently maximising the efficiency and effectiveness of its opportunities and operations in

accordance with best practice.

The CBS is committed to the management of risk to ensure the protection of its:

- Clients and stakeholders;
- Staff and associated human capital;
- Project activities;
- Environment;
- Quality of service;
- Assets and intellectual property;

- Contractual and statutory obligations; and
- Image and reputation.

Risk management is regarded as an integral part of sound management practices and should be fully integrated into the CBS's policies and procedures and planning, budgetary and management activities work plans.

The implementation of this risk management policy will generate the following benefits:

- Demonstrate due diligence in planning day to day management activities;
- Promote proactive management rather than reactive with the early identification and mitigation of risks;
- Provide a structured and consistent approach to identifying, rating, mitigating, managing and monitoring risks;
- Provide an environment where staff understand and assume responsibility for managing the risks for which they are responsible and the controls to mitigate those risks.



4. Scope

This policy applies to all CBS projects and activities. It forms part of the CBS governance framework and it applies to all employees, contractors and volunteers.

5. Risk Management Framework

A risk management framework is a set of components that sets out the organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout an entity. This framework provides a comprehensive approach for the CBS to adopt in identifying and managing risks, which if not realised, could prevent the Centre from efficiently and effectively achieving its business goals and strategies.

6. Risk Management Process

When undertaking a risk management process, the following steps must be taken:

1. Establish the context
2. Identify the risks
3. Assess the risks
4. Treat and Manage the risks
5. Monitor and review
6. Communicate and consult

Step 1: Establish the Context

Establishing the context involves an understanding and appraisal of the CBS's external relationships, its own internal and organizational environment and the risk management environment in which the stages of the risk management process are followed. This also assists in establishing the assessment criteria for risk analysis as to whether the risks are acceptable or not. Any activity under review should relate to the strategic objectives, strategies and targets of the CBS so that any identified risks are linked directly to the objectives that are most critical to the success of the CBS.

a. The External/Strategic Context

Prior to undertaking a risk assessment, it is important to understand the external environment in which the CBS operates. External stakeholders should be consulted and may include the university community where CBS is situated, government ministries and departments, the community, contractors, technology, media, the funders, customers and providers etc. Their views and perceptions should be considered together with an assessment of the CBS's strengths, weaknesses, opportunities and threats.

b. The Internal/Operational Context

Before undertaking a risk assessment, the internal and operational context should be established which includes an understanding of the CBS's goals and objectives, management and organizational structures, systems, processes, resources, key performance indicators, and other drivers. Internal stakeholders should be consulted and may include management team, supporting staff etc. and their views and perceptions considered accordingly.

c. The Risk Management Context

The reasons for the risk assessment being carried out needs to be established, in particular:-

- Define the scope and objectives of the assessment, for example, project evaluation, etc.;
- Specify the nature of the decisions that have to be made;

- Define the extent of the project activity or function in terms of time and location;
- Identify studies, resources and planning requirements;
- Identify the roles and responsibilities of the various parts of the organisation participating in the risk management process.

d. Setting Risk Evaluation Criteria

Decide the criteria against which risk is to be evaluated. These criteria will be used during the risk evaluation phase. It is not necessary that all facets be articulated at this stage, however the major issues should be acknowledged.

Consideration is given to the following important criteria:-

- Risk Impact – to assess if the risk actually occurred, and the consequences, in particular, the impact on areas such as business continuity, human and financial resources, the community, the environment, image/reputational damage, legal and political implications etc.
- Risk Probability – to assess the probability of a particular risk occurring.
- Management Control Ratings – an assessment of the management controls in place which will have a bearing on the outcome of the residual risk ratings.
- Net Risk Ratings are the ratings allocated after the mitigation measures have been applied. The outcome of these ratings will determine further actions and treatments required.

RISK MONITORING

The Risk Register will be updated quarterly and when risks emerge.

RISK ESCALATION PROCEDURES

These Risk Registers will be assembled at key organisational levels allowing for risks to be managed at the most appropriate level in the organisation i.e. risks that fall outside the control of a certain level may be escalated to the appropriate level of management as indicated under risk governance section (section 7) below.

RISK REPORTING

Risk reports will be prepared quarterly and risk registry updated as risks emerge by the Risk Management Focal Person and will be reviewed by the centre coordinators, and when necessary the Advisory Board will be flagged. The purpose of risk reporting is to create awareness of key risks, improve accountability for the management of risk and the timely completion of risk treatment plans. The report will be shared biannually with the Advisory Board and may be shared with funders when need be.

Step 2: Identify Risks

In order not to exclude critical risks, it is important to undertake a systematic and comprehensive identification of all risks including those not directly under the control of the CBS.

The following questions should be addressed and considered when undertaking an initial assessment:

- Where, when, why and how are the risks likely to occur?

- What are the sources of each risk?
- What are the potential time, money, staff and client disruption impacts?
- Who is responsible?
- Are there any fraud or corruption aspects?
 - a. Nine key risk areas addressed when conducting risk identification process.
 - i. Commercial and legal
 - ii. Economic / Financial
 - iii. Technology
 - iv. Operational risks
 - v. Political risks
 - vi. Management activities / control
 - vii. Human resource
 - viii. Occupational Health & Safety / Environmental / Disability access
 - ix. Natural events.

b. Approaches used to identify risks include:-

| Approach | Example |
|------------------------|---|
| CBS source documents | Risk registers, strategic plans, operational plans |
| Other documents | Checklists, surveys, questionnaires, |
| Team based exploration | Brainstorming, structured interviews, focus groups. |
| Assessments | Internal and external reports/ audits. Flow charting, systems analysis; |
| Experiences | Personal, organisational, local and overseas knowledge |
| Public knowledge | Records, databases, insurance claims |

To reduce the probability of inadvertently missing a potential risk, it is recommended to systematically identify risks and categorize them under each of the headings below for any activity or project.

All risks identified will be documented in the risk register.

- c. Risk Categories to be included in the risk register and in risk reporting
 - i. External context risks,
 - ii. Delivery risks,
 - iii. Operational risks,
 - iv. Fiduciary risks,
 - v. Safeguarding
 - vi. Reputational risks

Step 3: Assess the Risks

a. Risk Analysis

Risk analysis helps inform decisions on which risks are minor and thus acceptable and which ones are major risks requiring treatment strategies. The CBS considers risks based on the combination of the consequence of occurrence and likelihood of occurrence to produce an estimate level of risk. There are many tools and techniques available for analysing risks and the following sources of information may be referred to:-

- Past records;
- Practice and relevant experience;
- Published literature;
- Market research;
- Experiments and prototypes;
- Specialist and expert judgement;
- Focus groups;
- Structured interviews, questionnaires.

b. Risk Evaluation

Risk evaluation involves comparing the level of risk found during the analysis process with the risk criteria established. An evaluation of each risk is now undertaken to determine those risks that are acceptable and those that require further treatment.

The following table can be used for assessing the consequence and likelihood. A risk assessment matrix, which combines the likelihood rating and consequence is then developed.

Table 1: Risk Likelihood Matrix

| Rating | Description | Numerical | Historical |
|--------|----------------|--|--------------------------|
| 5 | Almost Certain | Incidents will occur frequently each year | Multiple times in a year |
| 4 | Likely | Incidents will almost certainly occur each year | Once per year |
| 3 | Possible | Incidents will possibly occur every 2 to 3 years | Once in 2-3 years |
| 2 | Unlikely | Incidents will possibly occur every 3 to 5 years | Once in 3-5 year |
| 1 | Rare | Incidents possible in exceptional circumstances | Once in 5+ years |

Table 2: Risk Impact Matrix

| Description | Insignificant | Minor | Moderate | Major | Severe |
|---------------------------------------|--|--|--|---|---|
| Rating | 1 | 2 | 3 | 4 | 5 |
| Service delivery | Inability to deliver non-essential service within specification a period of < 4 days | Inability to deliver non-essential service within specification period of > 4 days but < 1 week | Inability to deliver essential service within specification period of < 4 days OR Inability to deliver non-essential service within specification period of > 1 week | Inability to deliver essential service within specification period of > 4 days but < 1 week | Inability to deliver essential service within specification period of > 1 week |
| Health and Safety | Injuries or disease not requiring medical treatment. | Minor injury or a case requiring First Aid Treatment only | Serious injury causing hospitalisation or multiple medical treatment cases. | Life threatening or multiple serious injuries causing hospitalization or likely to result in a person's incapacitation | Death or multiple life threatening injuries that may cause permanent disability |
| Reputation | Complaint by one or a number of un-associated members of community | Complaint by a group from community escalated to public arena or attract minor local media concern | Attention from the public, state media or stakeholders | Intense public, political and media scrutiny. Eg: front page headlines, TV, etc. | Assembly or ministerial inquiry or Commission of inquiry or adverse national media. |
| Business Process & Systems | Minor errors in systems or processes requiring corrective action, or minor delay without impact on overall schedule. | Policy procedural rule occasionally not met or services do not fully meet needs. | One or more key accountability requirements not met. Inconvenient but not client welfare threatening. | Strategies not consistent with Government's agenda. Trends show service is degraded. | Critical system failure, bad policy advice or ongoing non-compliance. Business severely affected. |
| Legal & Regulatory | Breach of a contract that does not result in legal remedy or issue of a notice | Breach of contract that results into immaterial legal remedy or fine OR imposition of prohibition notice | Breach of contract that results into material legal remedy or fine OR suspension of immaterial license or permit | Breach of contract that results into action by High court or significant fine OR suspension of material license or permit | Breach of contract that results into Full court or results into imprisonment OR permanent permit denial |
| Financial | <2% of Budget or <\$10K | 2% - 5% of Budget >\$10K or <\$50K | 5% - 10% of Budget >\$50K or <\$250K | 10% -25% of Budget >\$250K or <\$1M | >25% of Budget or >\$1M |

Table 3: Risk Level Matrix

| | | | | | | |
|------------|----------------|---------------|----------|----------|-------|--------|
| Likelihood | Almost Certain | | | | | |
| | Likely | | | | | |
| | Possible | Minor | Moderate | Major | | Severe |
| | Unlikely | | | | | |
| | Rare | | | | | |
| | | Insignificant | Minor | Moderate | Major | Severe |

Impact

| | |
|----------|--|
| Minor | Low probability of risk materializing, limited reductions in outcomes if this occurs Low risk – Manage by routine procedures |
| Moderate | Low probability of risk materializing, higher but still limited loss in outcomes if this occurs Medium risk – Specify management responsibility |
| Major | Higher probability of risk materializing, outcomes reduced if this occurs but some important outcome still likely High risk – Needs senior management attention |
| Severe | High probability of risk materializing, very significant reduction in outcomes if this occurs Extreme risk – Detailed action plan required |

Step 4: Treat and Manage the Risks

It is important that where risks have been assessed as Extreme or High, action plans are put into place to manage and mitigate the risks. It is unlikely that risks will ever be entirely eliminated, but by demonstrating that actions are being implemented, the risks may be reduced to a more acceptable level.

There are a number of options available for treating risks. These should be considered in the light of cost and benefit for implementing action.

Accept the Risk: Where risks are identified as unavoidable or no suitable treatment plans are available, the CBS should accept the risk.

Some reasons why a risk may be acceptable include:

- The level of risk is so low that specific treatment is not suitable given the available resources.
- There is no treatment available.
- The costs of treatment outweigh the benefits.
- Opportunities presented outweigh the threats to such an extent that the risk is acceptable.

Reduce the Likelihood and Impact: This may be achieved by consideration of the following actions:

- Structured training and supervision of staff;
- Periodic testing of controls, e.g. computer systems;
- Enhanced management controls such as reviewing policies and procedures, quality control checks;
- Improved compliance monitoring and audit programs;
- Contingency planning such as Disaster Recovery plans, Business Continuity plans;
- Fraud and Corruption control programs;
- Better contractual arrangements;
- Introduce more preventative and corrective measures.

Transfer the Risk: This involves other parties bearing or sharing the risk either partially or in full. This may be through insurance arrangements, contracts, partnerships and/or joint ventures.

Avoid the Risk: This can be done by deciding not to start or continue with a particular project or activity that gives rise to the risk. However, the business objectives still need to be borne in mind and inappropriate risk aversion may increase other risk areas.

The following steps should be followed in treating risks:

a. Evaluate risk treatment options and select option

Selecting the most appropriate risk treatment option should be made by considering the following issues:-

- The costs of managing risks must be balanced against the benefits obtained;
- The extent of risk reduction gained;
- The extent to which there is an ethical or legal duty to implement a risk treatment option which may override any cost/benefit analysis;

- How sensitive the risk is to the CBS's image and reputation and its perception by stakeholders and external parties. This may warrant implementing costly actions.

b. Prepare and implement treatment plans

The risk management treatment plan includes the following:-

- Risk identified;
- Proposed actions;
- Cost/benefit analysis (where appropriate);
- Cross referenced to the operational plan;
- Accountable and responsible persons;
- Timescales.

For the treatment plans to be successfully implemented, there is a requirement for an ongoing review and reporting of the progress against the actions stated.

Step 5: Monitor and Review

Risk Management is a dynamic process and, to be effective, requires ongoing monitoring and review to ensure that the risk environment in which the CBS operates is constantly up to date.

- Each step undertaken should be documented to enable effective monitoring and review.
- Risks and the effectiveness of treatment measures need to be monitored to ensure changing circumstances do not alter the risk priorities.
- Identification, assessment, and treatments must be reviewed to ensure the risks remain relevant and continue to be managed and that any new or emerging risks are identified and managed.

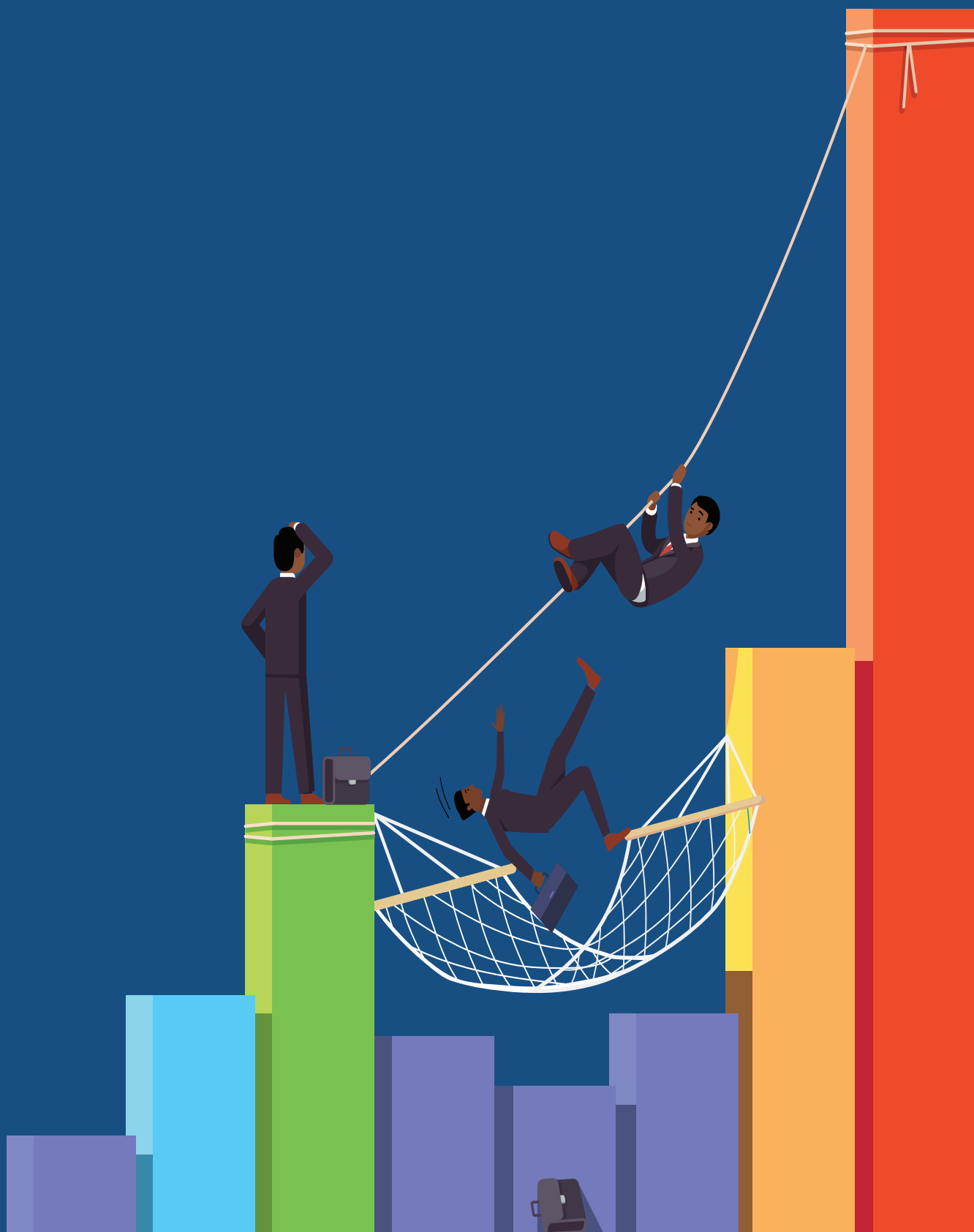
Step 6: Communicate and Consult

Communication and consultation should be carried out at each stage of the Risk Management process with all relevant parties and CBS stakeholders.

- A communication plan should be developed for internal and external stakeholders early in the planning process.
- Communication should be a two-way process involving consultation.

7. Risk Roles and Responsibilities

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|---|---|
| CBS Board | Provides risk management policy oversight, and review and advice on risk management |
| Head, Department of Economics | Advise on risk management issues escalated from the coordinators |
| CBS Coordinators | <ul style="list-style-type: none">• Continuously improving risk management policy, strategy and supporting framework• Ensure staff and contractors comply with the risk management policy and foster a culture where risks can be identified and escalated• Escalate to Head of Department and Advisory Board if any risks increase in likelihood or potential impact. |
| CBS Risk Management Focal person | <p>The Focal Person role shall be performed by the CBS Administrator. Responsibilities will include</p> <ul style="list-style-type: none">• Receive reports from all staff about new risks arising or changes to existing risks• Record all reported /identified risks in the risk register• Regularly monitor all risks in the risk register• Escalate to coordinators / recommend flagging to the Head of Department and Advisory Board if any risks increase in likelihood or potential impact.• Update risk register with changes to risks and mitigating actions |
| CBS Staff and Contractors | <ul style="list-style-type: none">• Identify, assess and report new risks arising and changes to existing risks• Comply with risk management policies and procedures |



8. Risk Management Performance

In order to ensure that risk management is effective and continues to support the Centre's performance, the Centre should.

- i. Measure risk management performance against indicators, which are periodically reviewed for appropriateness;
- ii. Periodically measure progress against, and deviation from, the risk management plan; and
- iii. Review the effectiveness of the risk management framework.

In measuring performance in risk management, CBS will use lead indicators that are concerned with processes that support the achievement of desired outcomes. The priority indicators shall be:

- i. Number of times the risk register is reviewed and updated per year and

- ii. Percentage of the mitigating actions in the risk register actually completed per year.

Other indicators may include the following:

- i. Proportion of treatment tasks for high risks that have been completed in a quarter
- ii. Number of people trained in risk management in a quarter against target
- iii. Number of contracts that have been subjected to risk assessment
- iv. Number of root cause analysis conducted in a project in a quarter to learn lessons from successes and failures
- v. Number of control self-assessments conducted against target.

9. Review and Approval

This Risk Management and Control Policy will be reviewed every year by the CBS senior management team and approved by the CBS Advisory Board.

10. Related Document

CBS Risk register.



