

NTNC's Risk Management System

Guidelines for Organizational and Project Risk Management



National Trust for Nature Conservation

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Introduction

NTNC has been successfully implementing and supporting conservation and development activities through its well-established structures, systems and processes. However, national and international discourse of natural resource conservation and development, local aspirations and needs, socio-economic, political and organization dynamics often change with time and places. The ever-changing circumstances and competing claims present new challenges and poses uncertainty that require creative and agile organizational response if NTNC is to continue to meet its objectives. Additionally, NTNC needs to identify and manage risks associated with its projects, human resources, administrative and financial processes in order for the organization to run smoothly. This strategy shall be updated every 5 years and or as required to meet and address the changing scenario.

Identification and Categorization of Risk

Risk can be defined as effect of uncertainty on objectives and or situation where the desired output or impact aimed by NTNC seems to be indeterminate owing to various internal and external factors. Risk management in NTNC is thus essential to provide best structure and guidance so as to enable all strategic, management and operational tasks of an organization throughout projects, functions, and processes to be aligned with the set objectives. This risk management shall be done at following levels:

1. **Organizational Risk:** These are risks that can have an organization wide impact, if they materialize. Enhancing organizations competitiveness, maintaining good organizational image in face of competitive working environment, changing socio-political circumstances has become increasingly challenging that needs to be dealt with at the senior management level of NTNC. Developing strategies that are practical and feasible for expanding and diversifying its funding base of organization, capacity building of institution and motivation and retention of its staffs are essential under organization risk management. Additionally, this can also involve risk associated with the proper functioning of NTNC field and unit conservation offices. The senior management team at the central office shall identify, discuss and manage such risk by making strategic/managerial decisions at least once a year.

2. **Project risks.** These are the risks that affect achievement of the objectives of the projects. For most of the projects that are time and resource bound risk analysis and management are vital. Such risks are monitored in a systematic manner through NTNC’s project cycle process. Such risks are at first identified at the project/programme level including field offices and managed by themselves or the field offices and if not possible to manage at the field level shall be addressed by the central level following official channel by Senior Management Team.

Risk Management System

Project risk plan and risk plans for field offices are the major foundation for NTNCs risk management system. The preparation, implementation and monitoring of these plans shall be coordinated by the office in charge and presented at annual meeting of NTNC for approval through the official channel. The plan shall identify the likelihood, severity of the risk and associated linkages with the objectives of the project and organization as well as suggest possible actions to minimize the risks. Each office of NTNC shall maintain risk register (annex 1) describing the nature of risk, its description including cost and the person/team responsible for the minimizing actions. The major categories of the risk are:

Nature of Risk	Description
Strategic	Risks related directly to not achieving the mandate, vision and mission of NTNC including the objectives of the strategic plan
Political	Risks related to political decisions taken by the Nepal Government
Reputational	Risks related to events that can harm the organization’s image and reputation
Operational	Risks related to the programme activities
Projects	<ul style="list-style-type: none"> • Risks related to NTNC not being effective to receive new projects or programmes or to deliver on them in accordance with donor expectations as either an executing or implementing entity • Significant risks related to a specific project that may have an impact on the overall performance of NTNC
Conservation/Environmental	Risks that the activities of NTNC are not aligned with its conservation/environmental priorities. This includes social aspects such as the gender and social inclusion policy
Organizational	Risks related to organizational structure and processes that have a negative impact on NTNC delivering on its objectives and mandate
Financial	Risks related to finance, accounting, treasury processes including those affecting projects

Nature of Risk	Description
Compliance	Risk related to staff not following NTNC’s legal provisions including Act, Regulation, By-laws, code of ethics and other policies, plans and procedures

Evaluation and Prioritization of Risk

The risks are prioritized based on the likelihood of occurrence, the severity of the impact that the risk might have and the effective structural and functional mechanism that might exist to deal with the risk. Based on this evaluation three possible outcomes of the risk exposure are categorized:

Low Risk (value 1 – 5): Represents a **low impact or well managed risks** that can be accepted and / or managed by routine procedures.

Medium Risk (value 6 – 14): Represents a **risk that could be better managed** and mitigating actions shall be planned.

High Risk (value 15 – 25): Represents a **major risk** and mitigating action is imperative to bring the residual risk exposure to a lower level. These risks require immediate managerial attention.

The ratings are subjective as opposed to being scientific. Nevertheless, the following table provides guidance on how to give a rating to the impact or consequence and the likelihood.

Risk Exposure					
	Impact or consequence				
Likelihood	1 Low	2 Moderate	3 Medium	4 High	5 Severe
1 Rare (5%)	1 Low	2 low	3 low	4 low	5 low
2 Unlikely (5-10%)	2 low	4 low	6 significant	8 significant	10 significant
3 Possible (10-20%)	3 low	6 significant	9 significant	12 significant	15 severe
4 Likely (20-50%)	4 low	8 significant	12 significant	16 severe	20 severe
5 Almost Certain (above 50%)	5 low	10 significant	15 severe	20 severe	25 severe

Annex 1: Risk Register and Mitigation Action Format

Risk Register Year		
Strategic* Risks		
Prepared: year/ month / day		Updated: year/ month / day
Strategic risks: that affect NTNC's ability to achieve key goals		
Risk description	Mitigating action	Rationale and responsibility
Name and reference of risk. Describe the risk and owner Give risk exposure (number & color)	Describe the action and be SMART and cost effective S – specific, M – measurable, A – attainable, R – realistic, T – timely	Describe the cost and benefits of action in non-monetary terms NPR cost of action Due date Anticipated risk exposure at due date

* A separate risk table is done for each of the following risk categories:

Strategic, political, reputational, operational, project, conservation/environmental, financial, organizational, and compliance.

Semi-Annual update of planned mitigating actions		
Updated: year/ month / day		
Strategic risks: that affect NTNC's ability to achieve key goals		
Risk description Planned actions	NTNC response	Recommendation at update time
Name and reference and original risk exposure Describe the risk in 1 or 2 sentences. Recap of action plan, what / who / when / cost. Planned reduction in risk exposure (from - to).	Actions taken since plan ESM plan is in place. Current risk exposure (value 1-25 & green, amber, red).	Recommendation of the assigned authority