

Using the Risk Management Matrix when Assessing Risks

Risk management is about having good processes to lean on and point to when things turn rough. Practical risk management will vary between organizations, but they will all identify and assess risks and then implement procedures to keep the risks at an acceptable level.

The risk matrix is therefore an industry standard used by risk managers worldwide. Based on their checklists and results they will report and suggest suitable action to management on changes to the administration and to the boards, who are the decision maker of all strategic decisions.

The matrix is explained in detail below by using some examples. Most of the risks concerning a not for profit are to be found in the administration of the club or the organization.

Phases

Risk management is a process in phases and steps.

Phase 1: Analysis – to find the sources of risk and identify risk & threats.

Phase 2: Using the traffic light risk matrix when assessing each identified risk, deciding the likelihood and impact of each of these risks in a structured form.

Phase 3: Based on the result of the assessment, decide and Action Plan – Rank the risks according to relevance and importance and decide on appropriate responses to the risk. **Phase 4:**

Implementing & monitoring – the actions are implemented and monitored to ensure progress in minimizing of risk, the result is being communicated and future plans developed.

Checklist and Risk Matrix

This is to explain how the checklist and the risk matrix should be used in assessing the risks by using a few examples. Using the *Check List* under Risk Tools, we select the a few statements as examples:

Example 1: Our club take meeting minutes of each meeting and keep them safe and password protected.

The risk manager, the risk committee or the board, depending how the club has organized its risk management work, check that this is the correct way the club handles meeting minutes. Is there a risk that they are not always taken and saved safely?

Question 1: What is the likelihood that the minutes are NOT taken and saved safely? **Answer:** **Very high** (This club is never taking meeting minutes)

Question 2: What is the impact if they are not taken and saved safely?

Answer: The impact is **high** (because in 6 months' time the members cannot remember which of the two local charities they decided to support).

Final Result: **RED**

A red result, normally means that the club should take some action to improve the rating. In this case it is a good idea for the club to start taking minutes at each meeting and save them for the future.

Example 2: Regular financial reports are NOT presented to the club/board members

Likelihood: **Very low** (because this club presents financial reports at each club meeting)

Impact: **High** (without any financial reports, the club does not know its financial position)

Result: **GREEN**

The combination of very low likelihood and high impact gives a green result. No action is required. Although the impact is very high, the low likelihood makes it less urgent or necessary to take any action.

Red results should always be thoroughly discussed, and actions taken where required. Yellow results should also be discussed and monitored, and actions taken if found to be required. Green results are fine for the moment and no action is required this time.

Having new procedures in place to avoid risks or problems is good, but only if they are being followed up.

Risk management is an ongoing process and new procedures, or actions must be monitored and reported on, to reach the expected result.

THE ABOVE EXAMPLES ARE JUST SELECTED TO SHOW HOW THE RISK MATRIX WORKS, AND IS NOT REFLECTIVE ON ANY SPECIFIC ZONTA ACTIVITY OR CLUB.