

PROPOSED RISK MANAGEMENT FRAMEWORK

I. Background/ Rationale

Pursuant to Special Order No. 20 S. 2016, an Adhoc Risk Management Committee (RMC) was formed to address the negative effects of financial, operational, organization, political, social, economic and environmental risks on the Authority and its stakeholders.

Risk is simply the exposure to harm or danger. It reduces the effectiveness of programs and projects aimed at improving the lives of industry stakeholders. This may come in many forms such as political instability, weak governance, economic insecurity, domestic or international conflict, ethnic tensions and vulnerability to natural hazards.

In order to identify, access and manage risks, a risk management framework must be in place. This concept is important in private institutions as well as in government agencies since it can help an organization protect itself, its staff and clients. The committee's role is to design the framework which will help PCA develop and implement an effective and pro-active risk management plan in response to the circumstances the organization face, perform risks assessment and develop strategies to mitigate risks using management resources available.

II. Objectives

The objectives of the Risk Management Framework (RMF) is to provide an official process for the Philippine Coconut Authority (PCA) in:

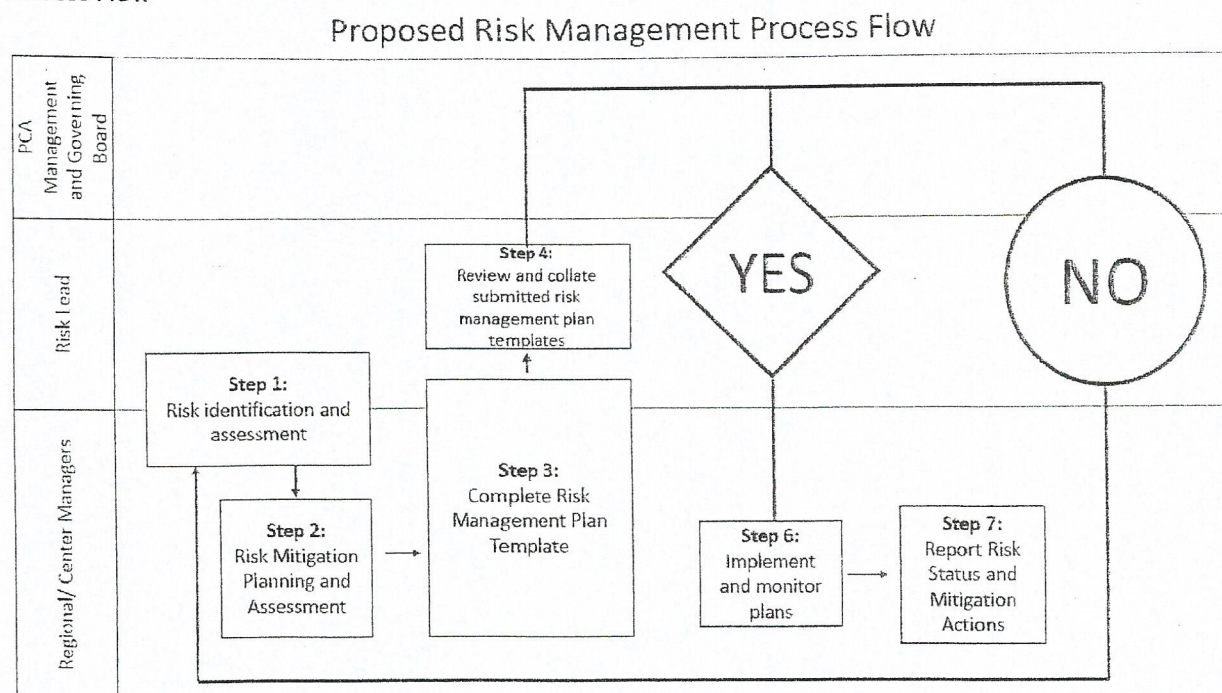
- Broaden understanding of managers and staff on the effect of risks and mitigation plans to operational, financial, organizational and environmental aspects of their respective offices;
- Develop and implement the framework to identify, assess and manage risks based on the approved criteria.

III. Methodology

a. Outline

Activities	Expected Output
1. Formulation of Risk Management Framework	Approved Risk Management Framework
2. Risk Identification and Assessment	Risk Management Template
3. Risk Mitigation Planning and Assessment	
4. Risk Mitigation Plan Implementation	Conducted projects/programs
5. Risk Management Plan Evaluation	Accomplishment Reports
6. Risk Communication and Training	IEC materials, online publications, circulars and trained/ knowledgeable staff

b. Process Flow



c. Discussion

i. Risk Management Framework

This framework shows PCAs general protocol in its risk management process, conduct of trainings/ workshops and evaluation. The framework is an integral part of the Authority that is to be undertaken at the provincial, regional, divisional and corporate levels.

ii. Risk Identification and Assessment

1. Risk Identification

This is an important activity aimed at determining risks that may undermine the Authority's capacity to observe its mandate based on the following aspects:

The objective of this activity is identify significant risks observing the format of the risk management template (RMT) in **Appendix 1**.

Risks can be identified through conducting SWOT analysis, technical workshops and group consultations. The Risk Leader (RL) will review the RMTs from the concerned offices and formulate a summarized management template.

The following types or categories must be used to assist with risk identification:

Types of Risks	Definition
Financial	This refers to risks that may disrupt the fiscal health of the agency.
Operational	This refers to risks that may hamper or interfere with the programs and activities
Organizational	This refers to risks that affect the structural, cultural, regulatory, contractual initiatives of the agency.
Environmental	This refers to external risks brought about by natural, social, cultural and regulatory threats to the agency.

2. Risk Assessment

Using the Probability-Consequence-Control Formula

In this phase, risks will be subjected to evaluation. This will help in distinguishing priority areas using a Risk Rating. This indicator is derived using the formula $(\text{Probability} \times \text{Consequence}) / \text{Level of Control} = \text{Risk Factor}$. The components in the formula are as follows:

- a. Consequence (CO) – This will help measure the potential effect of each risk.
The scale are as follows:

Value	Description	Effect
4	Major	Costs more than 20 million pesos, delays project duration by more than 25%, high possibility for corporate penalty/imprisonment, long-term domestic and international coverage, closure of several operational areas
3	Moderate	Costs 5 to 20 million pesos, delays project duration by 10 to 25%, possible corporate penalty/ imprisonment, negative media coverage, closure of an office/ center/ division
2	Minor	Costs 1 to 5 million pesos, delays project duration by 2%, penalties may be incurred, adverse publicity, reduction in the Authority's operational routine
1	Insignificant	Costs less than 1 million pesos, little to no project delay project, no penalty or imprisonment, minimal publicity, no interruption to the Authority's services

- b. Probability (P)– This indicator evaluates the risk's frequency of occurrence. The values are as follows:

Value	Description	Occurrence
4	Very High Probability	More than once a year
3	High Probability	Once a year
2	Low Probability	Once in five years
1	Very Low Probability	Once in ten years

- c. Level of Control (C)– This factor quantifies the extent by which the office can manage the risk. The values are as follows:

Value	Description	Extent
4	Very High Control	A protocol is in place to ensure data credibility, policy compliance, asset protection and utilization
3	High Control	The protocol is implemented but it needs to be improved
2	Low Control	The protocol can be relied but may have not addressed
1	Very Low Control	The protocol in place cannot be on relied

- d. Risk Rating– To prioritize the risks by based on the formula, the RCM must observe the following thresholds for the Risk Factors:

Value	Description	Action
>4	High Risk	Implement mitigation plan immediately
3-4	Medium Risk	Requires moderate attention
<3	Low Risk	The implementation of the mitigation plan is optional

Using the Probability-Consequence Diagram

To arrive at a risk rating when there is **no control or protocol** in place to mitigate the identified risks, the Probability-Consequence Diagram can be used.

Probability	Consequence			
	Major	Moderate	Minor	Insignificant
Very High Probability	High	High	Medium	Low
High Probability	High	Medium	Medium	Low
Low Probability	Medium	Low	Low	Low
Very Low Probability	Medium	Low	Low	Low

iii. Risk Mitigation Planning and Assessment

In this step, the actions for risk mitigation will be identified. The different types of risk treatment are as follows:

Type of Risk Treatment	Description
Avoidance	An alternative solutions will be adopted
Mitigation	Establishment of protocols to reduce risk's consequence and probability
Transfer	Assigning another party through a contract to treat the risk
Acceptance	The current protocols to treat the risk are appropriate

The concerned offices shall revisit their risk management templates and discuss the relevant mitigation plans with the corresponding cost of the solution. The date of implementation of each plan must be specified.

iv. Risk Management Plan Implementation

After assessment, the plans will be subjected to the approval of the Management and the Board. These approved plans will be observed by the responsible units and collated by the RL.

To monitor developments regarding the mitigation plans, the involved offices will submit monthly accomplishment reports (Appendix 2) to the RL.

v. Risk Management Plan Evaluation

Regular reviews will be conducted by the Risk Management Committee to identify the strengths and weaknesses of the Authority's Risk Management Framework.

The Internal Audit will review the processes and controls of the Risk Management Framework. It will also provide an independent appraisal of the effectiveness of the established framework. The Authority may seek independent assurance providers that shall be overseen by the Risk Management Committee to assess the elements of the Authority's Risk Management Plan.

vi. Risk Communication and Training

The Risk Lead (RL) ensures the continuous communication with the Authority's stakeholders and staff regarding the process and results of the RMF. The RL coordinates with the field managers and Management to identify, assess and manage risks.

Annual training and workshop sessions will be conducted to improve the Risk Management Framework. These will help safeguard the competency levels of the Authority with regards to risk management. The Authority may seek independent assurance providers that shall be overseen by the Risk Management Committee to conduct and facilitate the aforementioned trainings and workshops.

Region

RISK MANAGEMENT TEMPLATE

[illegible]

- Mitigation Action required
- Mitigation Action optional
- Mitigation Action not required

Prepared by:

Submitted by:

FOCAL PERSON

REGIONAL MANAGER

Republic of the Philippines

Region

Mitigation Action required
Mitigation Action optional
Mitigation Action not required

Submitted by:

REGIONAL MANAGER

Risk Management Plan Template

Risk Categories	Risks	Consequence (CO)	Probability (B)	Level of control (C)	Risk Factor ((AxB)/C)	Mitigation Plans				Responsible Person/ Party
						Available (Yes / NO)	Action Plan	Cost of Plan	Timeline/ Date	
Operations	Inaccurate surveillance reports of the pest infestation	4	3	3	2.333333	Yes	<u>Mitigate:</u> Improve surveillance systems or train staff <u>Transfer:</u> Hire contractors to assess infestation using ICT <u>Avoid:</u> Hire highly technical and competent staff			
	Negative impact of Typhoons on coconut plantations and farmers	4	4	0	High	No	<u>Mitigate:</u> through rehab or replanting <u>Transfer:</u> accountability to LGU/ <u>Avoid:</u> Plant typhoon tolerant varieties in vulnerable areas/ avoid replanting activities in vulnerable areas			

- Mitigation Action required
- Mitigation Action optional
- Mitigation Action not required

