

RISK MANAGEMENT POLICY
OF THE
NIGERIAN STORED PRODUCTS RESEARCH INSTITUTE
(NSPRI)



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(DRAFT DOCUMENT)

FOREWORD

The realization of the Institute's strategic plan depends on our ability to take 'calculated risk' in a way that does not jeopardize the direct interest of stakeholders, hence the need for a risk management policy. Empirically ascertained risk management will enable the Institute to anticipate and respond to changes in the work environment, as well as to take informed decisions under the conditions of uncertainty or probability. The Institute recognises that risk management is an integral part of good management practice and essential element in achieving its strategic objectives.

It is for the aforementioned reasons that the Institute Management Committee (IMC) constituted a Risk Management Policy committee to develop a risk management policy for the Institute.

This policy will serve as a guide to Management and staff in integrating risk management into their operations in a more structured way. The policy will provide a systematic way of assessing and managing the strategic and operational risks at all levels.

Therefore, this Risk Management Policy is hereby presented to guide management and staff with a structured risk management framework to proactively identify risks, prioritize them, and necessary actions taken to manage the risks.

Prof. Lateef Oladimeji Sanni

Executive Director/Chief Executive Officer

PREFACE

Risk is imperative to all human activities in varying degrees and forms; to this extend, the Institute Management adopted this risk management policy as a standard management practice to guide management and staff in the discharge of their responsibilities. In an attempt to proffer solutions to some inherent risk in the Institute, the Risk Management Policy Committee consulted relevant documents and templates developed by reputable organisations and institutions of higher learning to extract relevant information in developing this policy with the aim of approaching the risk policy development from a standard and professional standpoint.

This policy is intended to assist the Institute to establish a sound system of risk management framework that will effectively:

- Identify risks, assess and prioritize the risks and necessary actions taken to mitigate, eliminate or control the risks.
- Ascertain that a comprehensive approach is adopted by ensuring that an Institute-wide system in risk management is in place which addresses risks that threaten the safety of lives and properties in the Institute, both in the headquarters and zonal offices/outstations.

It is very pertinent to use this auspicious medium to appreciate the contributions of the 7-man Risk Management Policy Committee, they are: Dr. E. I. Bamishaiye, Dr. E. F. Awagu, Mrs. B. C. Kolawole, Dr. O. A. Atibioko, Engr. O. Ajiboye, Mr. N. B. Aku and Dr. O. Agbana. Their meticulous scrutiny during review meetings and incisive comments saw to the successful production of this Risk Management Policy. Special thanks go to the Secretary of the Committee (Mr. N. B. Aku) for his painstaking efforts, commitment and diligence in drafting this policy document.

It is expected that the implementation of this Risk Management Policy by adopting an integrated (policy/institutional reform, capital/research project planning and human capital development) approach than a stand-alone programme will enhance any effort geared towards the elimination, mitigation or control of any potential risk.

Dr. Bamishaiye Eunice Iyabo
Chairman

EXECUTIVE SUMMARY

It is the responsibility of the Institute authority to ensure that a comprehensive risk management system is in place in the Institute. Risk management constitutes the identification and management of risk that are significant to the fulfilment of the Institute's strategic plan (specific objective). It is important to note that risk management is not solely about managing risk, it is also about identifying and taking opportunities. In the development of risk management as a key component of a system of internal control within the Institute, the Institute authority will:

- Establish a "Risk Assessment Management Committee" as a standing committee to comprehensively assess any identified risk in the Institute.
- Ensure that there is appropriate risk management system in place in the Institute.
- Develop and monitor the implementation of risk management policy through its risk assessment management committee for effective and efficient management of the risk that impacts on the achievement of the Institute's objectives.

It is also important to recognise the benefits associated with risk management that includes:

- Empirical data for management decision
- Leveraging on competitive advantage by adapting to new circumstances
- Immediate risk identified, assessed, prioritized and managed.
- Integrated approach (institutional reform, capital/research project planning and human capital development) to comprehend and address the complexity of risk management in the Institute.

This risk policy framework is the foundation for building a culture of risk management practices in the Institute which will empower management and staff to effectively manage and/or leverage off uncertainties.

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1.0 INTRODUCTION

1.1 Background Information

The term risk (source of danger) from an organisational perspective is the possibility of an event occurring (incurring loss or misfortune) that will have an impact on the achievement of organisational objectives.

Risk management is currently been utilized and liberally used in many organisations in terms of safety, security, disaster management, business continuity, insurance and internal audit.

Risk management is a systematic process to identify, evaluate and address risk on continuous bases before such risk can impact negatively on the Institute's service delivery capacity.

1.2 Purpose of the risk management policy

The purpose of this risk management policy is to provide a framework for the Institute management to identify, assess and rate risks, and draw attention to risk management strategies (bottom-up project planning, policy reforms and capacity building) to help the Institute in predicting and managing risk that could prevent the Institute from achieving its strategic plan. In addition, to taking cost-effective safeguards to eliminate, mitigate or control risk.

In this context, key vulnerabilities and areas requiring priority attention in project planning, policy reforms and capacity building are taken into recognition. The primary objective is to help the Institute's management to understand the risks exposure of staff members (and some opportunities inherent in some risk) and to propose management strategies on identified risks.

Adopting a risk management strategy by the Institute in decision making can help mitigate risk before they occur, and lessen the impact on budgetary expenses.

1.3 Scope

1.3.1 To whom does the policy apply?

This policy applies to both staff and management; in fact, the Institute staff should familiarize themselves with this policy. The various levels of responsibilities for the implementation of this policy are detailed in section 2.0 below.

1.3.2 To what situation does the policy apply?

The policy applies upon the identification of an opportunity for or threat to the Institute towards achieving its strategic objective. It seek to ensure a proactive approach to the identification of risk at the earliest opportunity in order to implement the most appropriate solution to manage it optimally, and management of risk should be monitored on a continuous bases.

1.3.3 Who is responsible for ensuring that the policy (and any associated procedure) is implemented and monitored?

The Institute Authority has the responsibility for the management of risk in the Institute. However, the various individuals/committees that have responsibilities for the implementation and monitoring of this policy are set out in details in section 2.0 below. In addition, the Executive Director of the Institute has the overall responsibility to ensure that processes and procedures are in place to enable implementation and monitoring of this policy.

2.0 DEFINITION OF TERMS

2.1 Risk Management Framework

The Institutes risk management framework is made up of the following:

- Risk Identification and Assessment
- Risk Monitoring and Reporting
- Risk Appetite
- Management of Risk

2.2 Risk

In the context of this policy, risk may be defined as the Institute not benefitting from the opportunities available, suffering damage or disadvantage or not achieving its strategic objectives due to internal or external events. Risk, by their very nature may or may not occur and fall into variety of categories; the most common are used in this policy namely:

A. Strategic Risks: The inability of the Institute to achieve its strategic and operational objectives as set out in its strategic plan, and also to availing of opportunities when they arise.

B. Operational Risks: The inability to prevent a loss as a result of inadequate internal control processes or system.

C. Financial Risks: Exposure to losses arising as a result of inadequate control or the need to improve the management of the Institute’s financial asset.

D. Reputational Risk: Exposure to losses arising as a result of bad press, negative public image and the need to improve on stakeholders’ relationship management.

2.3 Risk Identification

The process of determining what can happen, where, why and how.

2.4 Risk Analysis

The systematic use of available information (using monitored data) to determine the likelihood of a specific event occurring and its consequences/impact in the Institute.

2.5 Risk Assessment

This involves the prioritization of the identified and analysed risk on the combined bases of their likelihood of occurrence and the magnitude of their consequences/impact in the Institute.

2.5.1 Dimensions of Risk Assessment

The size of any risk can be measured using two dimensions: the probability of the events occurring (likelihood) and the effect on the Institute should the risk materialize (impact). To ensure consistency of application across the Institute, risk identified must be assessed and measured in accordance with inherent and residual risk criteria as shown in the table below:

Assessment	Inherent	Residual
Likelihood	The probability of the risk arising in the absence of current controls	The probability of the risk arising in the presence of current control
Impact	The extent of impact in the Institute’s operations if the risk arises in the absence of current control	The extent of impact in the Institute’s operations if the risk arises in the presence of current control

2.5.2 Risk Matrix

2.5.2.1 Risk Likelihood

S/N	Rating	Probability	Description
1	Almost certain	90% or greater probability	Expected to occur in most circumstances
2	Likely	50-90% probability	Will probably occur in most circumstances
3	Possible	20-50% probability	Could occur at some point
4	Unlikely	10-20% probability	Not expected to occur
5	Rare	Less than 10% probability	Would occur only in exceptional circumstance

2.5.2.2 Risk Impact

S/N	Rating	Probability	Description	Remark
1	Severe	90% or greater probability	Death or serious injury to a person	Institute's objectives and/or continuing viability is threatened
2	Significant	50-90% probability	Serious injury or illness requiring medical treatment with permanent consequences	Institute's objectives are not met
3	Moderate	20-50% probability	Injury or Illness requiring medical treatment	Institute's objectives may be threatened
4	Minor	10-20% probability	Minor injury	Institute's objectives requires monitoring
5	Minimal	Less than 10% probability	Minor first aid injury	Institute's objectives unlikely to be affected

2.5.2.3 Risk Rating

The risk rating assists the Institute in determining if the risk is acceptable or unacceptable. A low rating risk may be expected and acceptable with minimal treatment response, whereas a high rating risk is not acceptable and therefore requires a response to minimise or eliminate it.

S/N	Rating	Probability	Description
1	High	90% or greater probability	Requires immediate action to mitigate, eliminate or control the risk
2	Medium-High	50-90% probability	Requires short-term action

			to mitigate, eliminate or control the risk
3	Medium	20-50% probability	Requires medium-term action to mitigate the risk(work within other priorities)
4	Low-Medium	10-20% probability	May require attention
5	Low	Less than 10% probability	Manage by routine procedure

2.6 Risk Register

A Risk Register is a risk recording and monitoring tool for the monitoring of identified risks in the Institute. It is a hierarchical work tool that can be broadened depending on the vastness of an entity.

There should be (1) Fundamental Risk Register (FRR) (that is institutional/corporate or strategic level risk register which is informed by risk register from the departmental levels) (2) Departmental Risk Register (DRR) or Local Risk Register (LRR)/Unit Risk Register (URR) and so on subject to chain of command and vastness of a department. FRR comes into operation subject to escalation of identified risk from DRR/URR/LRR.

Considering the size of the Institute in terms of Zonal Offices and Outstations, there should be Zonal Risk Register (ZRR) and Outstation Risk Register (ORR) which can further be broken down to any defined LRR.

2.7 Risk Register Owner

A Risk Register Owner is the officer that has been given the authority for risk management, and is accountable to his/her reporting officer or Head of Department (HoD) for doing so.

2.8 Primary Risk Register Owner

The Primary Register Owner (PRRO) is the Head of department who has the overall responsibility for the domestication and implementation of risk management framework in his/her department, in addition, to ongoing development and monitoring of the DRR in his/her department. The PRRO is required to report any monitored and identified risk to the Executive Director who if necessary can forward the report to the "Risk Assessment Management

Committee” for professional analyses and assessment and recommendation conveyed to the Executive Director for necessary actions.

2.9 Risk Assessment Management Committee

Risk Assessment Management Committee (RAMC) is a standing committee that uses structured process that involves identifying, analysing, assessing and prioritizing risks to better understand, manage and to also serve as the bases for the design of risk management strategies in the Institute.

The Committee should be chaired by an Assistant Director, in its absence the rank below it should subsist.

2.10 Risk Monitoring and Reporting

2.10.1 Risk Monitoring and Reporting Officer

There will be a Risk Monitoring and Reporting Officer (RMRO) in all departments (who uses DRR for risk monitoring) who in collaboration with the Head of Department are the Risk owners in their departments. The RMRO monitors and reports risk in his/her department to the PRRO (Head of Department) for onwards transmission to the Risk Assessment Management Committee via the Executive Director.

2.10.2 Risk Management Officer

The most senior officer nominated as RMRO will automatically act as the Risk Management Officer (RMO). He / She should be an officer of Chief Officer ranking (CONRAISS 13), in its absence, the rank below a Chief Officer ranking should subsist subject to seniority.

2.11 Risk Appetite

Risk appetite is the amount of risk the Institute is prepared to accept based on the expected returns on a programme/project/development/activity in question. The Institute can be risk taking or risk averse and different levels of risk can apply to different activities. In deciding its risk appetite, the Institute will decide the threshold beyond which risk move from a departmental level (as operational risk) to being serious and monitored at the institutional or corporate level (as strategic risk) or finally to the abandonment of a particular activity. Clarity in relation to the Institutes risk appetite is critical to enable the Institute Management Committee (IMC) to decide on how best to manage any particular risk.

3.0 ROLE OF KEY STAKEHOLDER IN MONITORING AND REPORTING OF RISK

3.1 Institute Management Committee (IMC)

- Overall responsibility for the management of risk within the Institute, the responsibility is domiciled with the Executive Director who gives directives accordingly.
- Implementation of the Institute's risk management policy
- Approval of risk management policy (or any review in future)
- Ensuring that adequate Risk Management Framework is in place in the Institute and that fundamental risk/strategic risk is being managed appropriately by the Institute.
- Ensuring a risk management culture throughout the Institute so that risk is embedded as part of the Institute's decision making process in its operations.
- Ensuring that staff understands what level of risk they are empowered to take on behalf of the Institute.
- Identifying and monitoring of fundamental risk that could impact on the achievement of the Institute's strategic objectives by considering reports from the Risk Assessment Management Committee or Primary Risk Register Owners (Heads of Departments)
- Ensuring that each fundamental risk (corporate strategic risk) has a 'Risk Owner' responsible for its management.
- Undertaking a formal review of the FRR and other Risk Register on annual basis subject to the recommendations of the Risk Assessment Management Committee
- Critically reviewing the effectiveness of risk management processes.

3.2 The Head of Administration

- Ensure the provision of adequate training (by liaising with the Risk Management Officer) and awareness to Risk Register Owners
- Ensure the communication of the key elements of the Institute's Risk Management Framework to those responsible for its implementation
- Maintains the Institute's Fundamental Risk Register, including its review and update on an annual bases.
- Undertake a review of LRRs to ensure compliance with this policy and the Institute's Risk Appetite.

3.3 Primary Risk Register Owner

- Implementation of the Institute's risk management policy within his/her department
- Identification, analyses, management and ownership of risk within their area of control.
- Establishment and regular review of the DRR or LRR in their area of control.
- Annual report to the Executive Director on the DRR or LRR within their area of control
- The identification of new and emerging risk that cannot be managed locally and the reporting of such risk to the IMC through the Executive Director for escalation to the FRR.
- Ensuring that all projects/programmes undergo risk assessment and that such assessment is included in the project/programme proposal, and reporting of same to the IMC.
- Supporting the embedding of risk management in their area and the development of risk-aware culture.

3.4 Risk Assessment Management Committee

- Reviews the Institute's risk management policy and make recommendations to the IMC for amendment to the policy as required.
- Monitor the effectiveness of risk management in relation to risks identified as fundamental to the success or failure of the Institute's strategic objectives and report to the IMC on its findings.
- Undertaking a review of the FRR and other Risk Register (from the Risk Register Owners) on annual bases.
- Taking particular note of risk identified at the DRR/URR that should be escalated to the FRR and inform IMC accordingly.
- Quarterly report to the IMC on the operations of risk management framework in the Institute.

3.5 Risk Management Officer (RMO)

- The Risk Management Officer is charged with the monitoring and reviewing of all risk register in the Institute to ensure compliance with the provisions of risk management framework within the parameters set down by the Institute.

- The RMO develops quarterly reports on the implementation of the risk management framework and this policy for the consideration of the Risk Assessment Management Committee and transmission to the Executive Director for necessary action.
- The RMO calls for a regular meeting of RMROs at least quarterly to interact on the operational dynamics of their responsibilities and to update themselves accordingly which is a prerequisite for a comprehensive quarterly report.
- The RMO liaises with the Head of Administration for training in risk management.

3.6 Role of Staff

All staff plays a critical role in ensuring the effectiveness of risk management within their area of responsibility through:

- Effectively manage risk within their area of responsibility in accordance with the Institute's Risk Management Policy and Guideline
- Report risk beyond their scope of authority or resources to their immediate Reporting Officer or their Head of Department.

4.0 RISK MANAGEMENT STRATEGY

Risk management strategies are operationalized by instruments that can be planned, budgeted and implemented. In the perspective of the Institute, these instruments fall into three (3) categories:

1. **Policy reform:** Improved risk management often entails policy reforms. The policy reforms could be legal, regulatory or institutional geared towards having an improved guideline for effective and efficient output and or services.
2. **Postharvest agricultural investment:** The Institute's project planning and research outreach activities should be more inclusive and proactive to identify inherent risk in any project and necessary actions taken to manage the risk. Risk management culture should be embedded in project/programme planning.
3. **Technical assistant:** Technical assistant is generally geared towards building stakeholders' capacity like staff training and collaborative linkage with relevant agencies/organisations for knowledge sharing and sensitisation.

5.0 CONCLUSION

World Bank report (2016) on Tanzania Agricultural Sector Risk Assessment has it that: “Agricultural risk is the principal cause of transient food insecurity and disruption to agricultural supply chain. It creates poverty trap and causes volatile economic growth in many developing economies. Crop failure is often the biggest shock faced by rural households and perhaps also the biggest poverty trap”.

In relative terms from the context of NSPRI, risk management policy is imperative to develop a risk framework to proactively manage the inherent risk that Institute staff members encounter in the line of duty which has both immediate and remote implications on national food security because labour (human capital) is a critical factor of production. This position is not far-fetched considering the national and sub-Saharan postharvest research management status of the Institute

This Risk Management Policy can serve as a framework for operationalizing climate-smart postharvest research strategies by providing the analytical and operational tools (to mitigate, eliminate or control risks inherent in a research project) to strengthen flexibility in postharvest management system in the Institute.