

The COSO Enterprise Risk Management framework 2 days

Course Overview

The turmoil in the world is intense– with unimaginable impact leading to increasing public unrest, fluctuating oil prices, natural disasters of a scale thought unimaginable, volatile stock markets and world economic uncertainty.

In this time of global uncertainty how do you steer a course through these difficult waters?

The answer is to recognise the only real link between all these events – RISK – and then to try to anticipate, manage and then deal with these risks at an enterprise level.

Most organisations have now realised that much more is needed and have developed an Enterprise Risk management (ERM) approach.

This has ensured that risks that were previously managed in isolation can be aggregated and prioritized across the entire business.

COSO provides an framework to manage ERM

Who should attend?

- Risk managers
- Managers and Directors responsible for the risk management function or process
- Senior Internal Auditors and audit managers
- Other assurance professionals such as those in Compliance and QA functions who are being asked to review the risk process
- Finance managers and other professionals who need knowledge of the wider approach to risk management

Course Level

- This is an intermediary level course and delegates should have 12 months experience in a supervisory, management or assurance role
- No advance preparation is required
- Delivery method – On-line-live (with exercises and case studies to provide practical application of the tools and techniques)

After completing this course you will be able to

- **APPLY** the concepts of enterprise risk management
- **DELIVER** the benefits of an enterprise –wide approach to risk
- **EMBED** an ERM approach
- **LEARN** the different techniques for identifying risks
- **IMPLEMENT** effective risk mitigation
- **LINK** risk management into the business planning process
- **GENERATE** measurable value by aligning the ERM framework with corporate performance expectations
- **DEVELOP** key risk indicators (KRI's) for each line of business
- **PREPARE** risk appetite statements and apply risk tolerance techniques

CPE credits

- Participants will earn 10 CPE credits (in the Management Advisory Services field of study)

Course Outline

Day One: Understanding Enterprise Risk Management (ERM)

The 8 components of the COSO ERM framework

- **The Business Environment**
 - The tone of an organization including risk management philosophy and risk appetite
- **Objective Setting**
 - The chosen objectives support and align with the entity's mission and are consistent with its risk appetite
- **Event Identification**
 - Internal and external events affecting achievement of the objectives
- **Risk Assessment**
 - Risks are analyzed, considering likelihood and impact
- **Risk Response**
 - Management selects appropriate risk responses – avoiding, accepting, reducing, or sharing risk
- **Control Activities**
 - Policies and procedures are established and implemented to help ensure the risk responses are effectively carried out.
- **Information and Communication**
 - Relevant information is identified, captured, and communicated
- **Monitoring**
 - The entirety of enterprise risk management is monitored and modifications made as necessary.

Exercise 1 – 20 questions about risk management

The business environment

- The need for ERM to be a top down process
- Board-level commitment to ERM as a critical decision framework
- A dedicated risk executive in a senior level position to drive the process
- An ERM culture that encourages full engagement and accountability at all levels of the organization
- Engagement of stakeholders in risk management strategy development and policy setting
- The current economic crisis and how ERM can provide a lifeline
- The role and responsibilities of directors and senior management with respect to ERM
- ERM value statements
- The key link between corporate governance and risk
- Selling the benefits to top management

Exercise 2 – The challenges involved

The link between ERM and strategic objectives

- The need to understand the organisation's strategic objectives
- Developing a programme to reflect these objectives
- The risk policy
- Establishing the business case
- Risk appetite – the least understood aspect of risk?
- External risk statements – principal risk factors
- Examples of risk appetite statements will be provided
- Categories of risk
- Establishing a risk management framework
- The results of a Global RM study will be shared

Exercise 3 – Analysing a Disaster

Identifying risk events

- Internal and external events
- Surprises and risk
- Why financial risks are only the tip of the iceberg
- The widening of the risk portfolio
- New and emerging risks- reputation, social, environmental
- The need for risk champions
- Risk and competitive advantage

Exercise 4 – Identifying risk events

Risk Assessment techniques

- The need to measure risk effectively
- How to quantify and measure risk – and why the approach followed by many businesses may be misleading
- Assessing risks
- The need to determine the Inherent, residual and target risks
- Risk scoring
- Key risk indicators
- Identifying these in advance
- Examples of KRI's

Day Two: Practical Risk Evaluation

Risk Evaluation

- Approaches and techniques
- How to establish a risk workshop process
- Risk workshops – the do's & don'ts
- How to identify, sift and group the risks
- Measuring the consequences and the likelihood of occurrence of each risk
- The use of risk matrices to prioritise the risks.
- The need for effective facilitation
- The use of diagnostic questions and thought-provokers prior to a workshop
- Other methods of risk identification
 - Monte Carlo Simulations
 - Bayesian networks
 - Scenario planning
 - Failure Mode analysis
 - Delphi Analysis
 - Root cause analysis
 - HAZOP

Exercise 5 Risk management evaluation techniques

Assessment of Risk Mitigation

- Controls or mitigation
- Ensuring risks are managed effectively
- How to assess risk mitigation
- The need for diligence and challenge
- Identification of risk exposures
- Dealing with the exposures (the 4 T's - terminate, tolerate, treat or transfer)
- Recording the risks – risk registers or risk maps

- Risk registers – do's and don'ts
- The need to keep the process as simple as possible
- Establishment of action plans
- Allocation of risk owners

Exercise 6 The ERM risk register

Information and Communication

- The need to coordinate and link the output
- Flagging interdependencies – if one risk treatment is changed the other party or parties impacted need to be notified
- Risk treatment analysis – how to determine the cost/benefits of dealing with exposures / exploiting opportunities
- Risk management as a route to reducing bureaucracy
- How to use the risk process to break down the barriers
- Reports for senior management

Exercise 7 –Risk management reports

Monitoring and cascading the Process

- Stakeholders interest in risk
- Workshops for all management levels
- How to measure the benefits
- Risk awareness for staff
- Sharing output with partners
- Evaluating risks within these relationships
- Feeding key risks up the organisation
- Coordinating the whole process
- Useful web sites and reference books
- How to use the programme to change the culture

Exercise 8 – Measuring the Benefits