BUSINESS RISK MANAGEMENT LTD

Strategic ERM

On-line interactive course
2 days

Why you should attend

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.

Strategic ERM goes one step further. Current and emerging risks are evaluated based on strategic materiality and reputational impact.

New understandings of risks and opportunities will emerge, to help focus senior management attention on what really matters to the business in the near and longer term future

Who should attend?

- Chief Risk officers
- Risk managers
- Directors responsible for the strategic direction of the business
- Heads of Internal Audit
- Heads of other Assurance functions
- Senior Finance professionals
- Senior project managers

Course Level

- **This is an advanced level course and delegates should have 4 years' experience in a management or assurance role**
- **Delegates should have a good educational and/or a professional qualification**
- **No advance preparation is required**
- **Delivery method – On-line interactive (with exercises and case studies to provide practical application of the tools and techniques)**

After completing this course you will be able to

- **Generate measurable value by aligning the ERM framework with corporate performance expectations**
- **Engage the Board in the analysis of enterprise risk scenarios**
- **Foster a culture that reinforces appropriate risk-taking to balance value creation and value protection**
- **Clarify ERM accountabilities from executives to the front line**
- **Implement key risk indicators (KRI's) for each line of business**
- **Enhance achievement of corporate objectives by linking performance targets, and risk management actions**
- **Define risk appetite for each key business activity and apply risk tolerance techniques**

CPE credits

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

Day 1 Managing risk at the strategic level

Characteristics of strategic risk management

- **Board-level commitment to ERM as a critical decision framework**
- **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**
- **Transparency of risk communication**
- **Integration of strategic, financial and operational risk information into decision making**
- **Use of more sophisticated quantification methods to understand risk and demonstrate added value through risk management**
- **Identification of new and emerging risks using internal data as well as information from external providers**
- **A move from focusing on risk avoidance and mitigation to leveraging risk and risk management options that extract value**
- **New guidance on ERM and the role of Executive management will be shared**

Exercise 1 – The ERM challenges

Risk Attitude

- **Ensure that your staff know that risk management is not a fad or the latest initiative – it is a key business process**
- **Ensure you define risk as the need to get things right – not what can go wrong**
- **'Ring fencing' risk exposure - never allow one part of the business to impact the whole organisation**
- **Not waiting until you are required to provide evidence of effective risk management by regulators or legislation – this will usually be too late**
- **Market the benefits of ERM internally and to stakeholders**
- **Recognise that your employees will only be interested in managing risks if there is a benefit for them in doing so**
- **Realise that if managers want to get a proposal through, they will tend to understate the risk (if you let them)**
- **Promote risk as the pulse of the organization and make sure that you have personnel to regularly take this pulse**

Exercise 2 – Enforcing a effective risk attitude

The need to exceed stakeholder expectations

- **Who are the stakeholders?**
- **Are stakeholders' expectations known?**
- **Arranging meetings with all stakeholders**
- **Workshops with key stakeholders?**
- **Are the expectations clear?**
- **How can you meet the widely differing expectations?**
- **Are there any areas where expectations could be exceeded?**
- **Are there any quick wins?**
- **What reports should be provided to stakeholders?**
- **A new paper on working with stakeholders will be shared**
- **What every Director should know about risk – new guidance**

Exercise 4 - Meeting the ever expanding requirements of stakeholders

The key risks of the Board

- **The development of strategic objectives, are taken without full consideration of the impact on the organisation**
- **Non-executive directors (NEDs)/independent members of the board are unable to give independent, robust challenge**
- **The Board does not have sufficient, complete or timely information on which to base its decisions.**
- **Committees set up by the Board may not fulfil their obligations or there are too many committees**

- The Board does not have sufficient oversight across the whole organisation.
- Policies, procedures and projects are not properly aligned to the organisation's objectives.
- The culture of the organisation is not fully defined or does not support the organisation in achieving its objectives.
- Risks are accepted or taken which are outside of the organisation's risk appetite.
- The regulatory or legislation requirements are not fully understood leading to increased regulatory sanction or censure

Exercise 4 – Evaluating the Board risks

The Audit Committee risk overview process

- The Audit Committee role
- Structure and independence
- How are the effectiveness of the risk management environment and anti-fraud arrangements assessed
- Does the Committee review summary reports and the main issues arising and seek assurance that action has been taken
- How does the Committee consider the reports of external audit and other external agencies?
- How are the effectiveness of relationships between Risk Management, Internal Audit and External Audit and other bodies reviewed
- How does the Committee satisfy itself that assurance statements and the annual statement of accounts properly reflect the risk
- An Audit Committee checklist will be shared

Exercise 5 –The Audit Committee overview process

Day 2 Practicalities of the strategic ERM process

ERM and decision making

- For every key proposal passed to the Board or senior management for decision, insist that a full risk analysis is submitted
- Match key risks to corporate objectives each year.
- Ensure that you under promise and over perform – not the other way round
- Invite all your key stakeholders to a risk workshop
- Analyse the major surprises and near misses that you have had in the last 12 months
- Recognise that 'if it seems too good to be true' it probably is
- Prepare media statements in advance to cover all possible crises
- Twice a year ask all key executives to identify 3 opportunities and set up a high level workshop to discuss and prioritise them
- Develop a corporate opportunity register

- Offer special incentives for the best ideas to reduce risk or exploit opportunities

Exercise 6 – Exploiting Opportunities

Ensuring the Risk register is a strategic decision tool

- Why the ERM process often fails to engage management
  - Risks recorded are much too general
  - Causes and effects are confused with risks
  - Only residual risk is concentrated on
  - Various different methods are used for scoring risks
  - Benefits are difficult to determine
  - The process is far too complex
- The Risk register solution
  - Start with the business objectives
  - Record the risk events
  - Assess the inherent risk
  - Identify the cause or causes for each risk
  - Determine a comprehensive process to mitigate each cause
  - Assess the residual risk
  - Determine any areas of risk exposure (or opportunity)
  - Develop an action plan to deal with each exposure
  - Determine a target for each risk

Exercise 7 –The advanced ERM risk register

Risk appetite and risk tolerance

- What is risk appetite
- The difference between risk appetite and risk tolerance
- Defining risk limits
- Risk profiling
- Developing risk appetite levels for each activity
- Examples of risk appetite statements

Exercise 8 – Defining risk appetite

Key risk indicators (KRI's)

- The banana skins
- Identifying these in advance
- Examples of KRI's
- New KRI guidance
- How to develop effective KRI's
- Determining KRI's for each risk
- The need for Strategic and operational KRI's

Exercise 9 - KRI’s

ERM in key projects and Joint ventures

- Determine the associated risks at the very earliest stage of a project
- Recognise that it is most unlikely that the project can be delivered to time, to budget and meet all the objectives outlined
- Decide up front which of the 3 elements, time, financial budget or functionality you are willing to compromise first.
- Hold risk workshops with the shortlisted suppliers or contractors before awarding a contract
- Give executives a clear brief regarding the decisions that may or not be made by them before they attend each meeting with partners
- Require your executives to provide written feedback from all such meetings
- Determine a clear protocol for reviewing JV’s and partnerships
- Not assume that because a JV is effective in year one it will necessarily be the same in year 2 and beyond
- Ask your internal audit function to be involved in all key systems and projects and review risks and controls at key stages during the development phase
- Ensure you have a right to audit clause for all outsourced operations and exercise that right

Exercise 10 – ERM –project success criteria

Assurance and ERM

- Ensuring your assurance providers roles e.g. Internal Audit, Compliance, Risk Management, Insurance, Security etc. are co-ordinated to avoid duplication of effort
- Why you should incorporate internal audit agreed actions in your risk register
- Ensure environmental risk is taken seriously (even if you are in a sector such as Financial Services
- Ensure that your Business Continuity plan covers all eventualities and ensure it is fully tested
- Identify new ways to benefit the least able section of the wider community you serve
- New guidance on coordinating RM & assurance

Exercise 11 –Coordinating ERM across the business