



Transforming Risk Management into a driver of positive change 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.

Advanced ERM goes one step further. Risks are scored based on business materiality with each risk being evaluated and compared by the financial, legal, reputational, and regulatory impact, and classified by the effect they could have on the business.

New understandings of risk emerge, and efficient controls can be implemented to tackle what really matters to the business. And drive competitive advantage

In short the focus becomes strategic risk management

Who should attend?

- Risk managers
- Managers and Directors responsible for the risk management function or process
- Heads of Internal Audit

- **Internal Audit managers**
- **Senior Auditors**
- **Heads of Assurance functions**
- **Senior Finance professionals**
- **Senior project managers**

Course Level

- **This is an intermediate level course and delegates should have 2 years' experience in a supervisory, management or assurance role**
- **Delegates should have a good educational standard (Bachelors degree or above) and/or a professional qualification or be suitably experienced**
- **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

- **Implement appropriate and varied techniques for the identification and assessment of risks**
- **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 of all employees 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**
- **Develop 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 1: Taking Enterprise Risk Management to the next level

Characteristics of an advanced ERM 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
- Transparency of risk communication
- Integration of 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 paper on ERM and the role of Executive management will be shared

Exercise 1 – The challenges involved

Risk Attitude

- The need to 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
- Determining and communicating your attitude to risk and your required risk culture to managers and stakeholders
- Recognising that reputation is both your biggest asset and the biggest risk you face – and one you cannot insure
- Not waiting until you are required to provide evidence of effective risk management by regulators or legislation – this will usually be too late

Exercise 2 – Enforcing a risk attitude

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

Exercise 3 – Identifying KRI's for all key risks

Ensuring the Risk register becomes a 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 an accurate position for the 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 4 –The advanced ERM risk register

Determining Risk appetite for each function

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

Exercise 5– Defining risk appetite for all business activities

Day 2: The need for more in depth risk evaluation techniques

Risk workshops

- The power of workshops
- Techniques for successful risk workshops
- The need to involve peer groups
- How to optimise an effective risk workshop process
- Do's and don'ts
- How to sift and group the risks
- Tips for success
- Separate workshops to identify risks and assess mitigation
- Measuring the impact and likelihood of each risk events
- Determining the causes of the events
- Inherent, residual and target risks
- Facilitation techniques

Exercise 6 –Delivering effective risk workshops

Ishikawa (fishbone) analysis

- Very effective in evaluating risks with multiple causes
- Steps in fishbone analysis
 - Problem identification
 - Primary and secondary causes
 - Establishing priority criteria
 - Preparing fishbone diagram
 - Analysing the output

Exercise 7 - Ishikawa - loss of key personnel

Monte Carlo simulations

- Mathematical technique that allows people to account for risk in quantitative analysis and decision making.
- Provides a range of possible outcomes and the probabilities they will occur
- Determines a probability distribution
- The types of distribution
 - Normal(bell curve)
 - Uniform
 - Triangular
- Uses of Monte Carlo simulations
 - Used to price complex financial instruments
 - To determine the VAR (value at risk)

- **Determining the option to expand, contract, or postpone a project**

Exercise 8 - Monte Carlo exercise

Bayesian networks

- **Bayes theorem**
- **The risk events where the probability of one event is conditional on the probability of a previous one**
- **Adding more data to an original idea to enhance decision making**
- **Use of Bayesian networks**
 - **Weather forecasting**
 - **IT network failure**
 - **Medical diagnosis**

Exercise 9 - Bayesian network exercise

Delphi (expert analysis)

- **Getting consensus from experts of different backgrounds and perspectives**
- **Comparing the opinions of qualified experts from different fields**
- **Determining acceptable risk by using experts to assess e.g. total credit given versus credit available or to establish creditworthiness criteria**
- **Worked example**

Exercise 10 –Delphi analysis – the mystery

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 11 – Exploiting Opportunities

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