

BUSINESS RISK MANAGEMENT LTD



**Proposal:
For the provision of Enterprise Risk Management
Services for XXXX**

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Date

Proposal for Enterprise Risk Management Services for xxxx

The following describes the approach and methodology for introducing an embedded risk management process for xxx, in accordance with the brief provided by yyy.

Throughout the assignment the risk management process will be modelled on and measured against world wide best practice and international risk management standards

The assignment is subject to the terms and conditions of Business Risk Management Ltd as herein described.

The lead consultant in this assignment will be Phil Griffiths, Managing Director of Business Risk Management Ltd, a Chartered Accountant with over 20 years experience in the field of risk management, and wide knowledge of facilitating risk management programmes in the public services sector

He will be supported by zzzz

Throughout the assignment the consultant will work alongside the management of xxx. Our aim is to ensure that we transfer our knowledge of risk management to ensure that you can successfully manage the process at the end of the assignment. To this end, and to keep costs to a minimum, it is suggested that a member of staff is nominated to work with the consultant on the assignment.

Background

The ability to manage significant risks effectively is one of the main characteristics differentiating the most effective organisations from the rest.

The need to demonstrate probity and the efficient management of resources is, of course, critical. The challenges of the recent global economic crisis make managing risk on an enterprise basis a crucial requirement.

Establishing and maintaining a formal, business risk management process is a proven and demonstrable way of providing the necessary assurance and providing confidence to stakeholders.

To do so, you need to identify and record the key risks impacting the organisation, assess how well the risks are being managed, identify exposures and opportunities and develop clear action plans for addressing the exposures and exploiting the opportunities.

The key to success is to recognise that risk is not something that can be avoided - a risk also can often represent an opportunity in disguise.

Basis of proposal

XXX have made a commitment to establish and maintain a systematic framework and processes to manage risk effectively across the organisation and have developed a risk management policy. The approach adopted follows best practice, as does the intended establishment of a Risk Management Group

The approach outlined in your brief is for a series of training workshops for Directors, Service Heads, key managers and members and is, in our experience, a highly effective method.

The two consultants proposed for this assignment have worked with over 30 organisations during the last 3 years to facilitate risk management programmes, following very similar briefs to your own. The proposal is based on the successful approach adopted for these and other clients.

The programme needs to be launched with a thought-provoking memo signed by the Chief Executive (which we will draft) outlining the process and the positive benefits. This will demonstrate the Chief Executive's commitment to the process and ensure a 'top down' approach

It is critical to positively engage key personnel in the risk management process – to demonstrate that this is not just 'another initiative' but will, if adopted enthusiastically, be a success driver, a route to reduction of bureaucracy and an agent for positive change.

It is for this reason that we would initially recommend a half-day awareness session to introduce the concepts, outline the process and sell the benefits.

Following this we would recommend 2 half-day workshops for each of the two groups outlined below, the first to identify and prioritise the key risks and the second to assess and record the processes in place to mitigate the risks, identify exposures and opportunities and develop action plans.

The workshops groups envisaged are: -

- **Group 1 – The Board and Audit Committee members + other senior mgt**
- **Group 2 – The Corporate management team + other key managers**

Following this stage, the output from all workshops will be collated and summary reports produced. A schedule of common risks, key exposures and major residual risks will be prepared. Advice will then be provided to enable risk management to be embedded into core activities such as performance management, corporate planning and procurement.

In parallel with this process advice and practical output will be provided in the establishment of a business continuity plan

Stage 1. Planning - 1.5 consultancy days

- **Finalisation of assignment brief with yyy**
- **Preparation of timetable in consultation with yourselves**
- **Evaluation of Risk Management Policy and updating as per best practice**

- Advice on establishment of Risk Management Group
- Development of thought provokers and diagnostic questions – to encourage the participants to consider the critical risks prior to the workshops
- Establishment of specific milestone dates
- Agreement of contacts, specific format of workshops and attendees
- Establishment of workshop dates
- Determination of reporting mechanisms, risk categories, financial criteria for the risk matrix etc

Stage 2. Raising risk management awareness

1 half day training session

1 Consultancy day (0.25 day preparation, 0.75 day Delivery and review)

- Setting the Context for Risk Management
- Imagine these newspaper headlines – specifically tailored to XXX
- Fire Service developments and the resultant challenges
- Key requirements – critical dates
- Wrong assumptions about risk – why risk and insurance are not synonymous
- Definitions and outline of ISO 31000 and other standards
- The link between risk and culture – Is XXX primarily risk averse or risk embracing
- The critical link between Strategy and Risk
- Surprises and Risk
- Benefits of a formal approach to risk management
- Opportunity – the flip side of risk
- Explanation of the Risk workshop process
- Identification of risks
- Measurement of Risk
- Inherent and Residual risk
- Categories of Risk
- Risk Mitigation, Risk exposures and identification of opportunities
- Risk matrices and Risk registers
- The need to fully embed the risk process

Stage 3. Risk identification workshops –

- 1. The Board, Audit Committee members + other senior mgt**
- 2. The Corporate management team + other key managers**

2 half day workshops

2 Consultancy days (0.5 day preparation, 2 half day Workshops and 0.5 day to review output before issue)

It is assumed that the output will be written up and issued by yourselves) as this is generally much more cost effective than having the consultancy carry out this task

Risk Identification: The introduction of a consistent and tailored model for risk identification will be established. A matrix to assist in the assessment of the materiality of likelihood and potential impact will also be produced. These will be tailored to specific limits and exposures relevant to the organisation. Risk categories will be assessed and finalised to ensure consistency of reporting and tracking the Key Risks. The above will all be established through discussions prior to the workshop.

Strategic Risk Identification Workshop Outline

- Brief recap of the workshop approach, its objectives and deliverables
- Ground Rules
- Discussion and agreement of Business objectives
- Facilitated risk identification (individually by post-it notes)
- Sifting and clustering the risks by means of the risk categories
- Measuring the risks (impact and likelihood of occurrence)
- Discussion and agreement of significance
- Recording the Risks on a Risk Matrix
- Prioritisation of risks
- Explanation of the output
- Discussion of next steps – the need to research mitigation in place and bring information to the mitigation workshop

The output will be issued from the first workshops and the attendees encouraged to research the processes in place to mitigate the risks identified

Stage 4. Risk mitigation workshops – 2 weeks or so after the original workshops

2 half day workshops with the same attendees as for the risk Identification sessions

2 Consultancy days (0.5 day preparation, 2 half day workshops and 0.5 day to review the risk register before issue)

It is again assumed that the output will be written up and issued by yourselves as this is generally much more cost effective than having the consultancy carry out this task

Risk Mitigation Workshops Outline

- Brief review of output from first workshop – first columns of risk register
- Explanation of mitigation workshop and expected output (completed risk register)
- Interactive discussion of mitigation for each risk on the risk register
- Recording of mitigation re-evaluation as residual risks
- Inherent and residual risks compared
- Assessment of exposures (and opportunities)
- Action plans debated and owners determined.
- Risk Register fully completed

- Next steps discussed – Corporate plan integration, performance management links etc

Risk Register: The risk register in the format already determined will be produced. The risk appetite will also be determined together with any risk limits in place

Risk Exposures: After considering the cost effectiveness and availability of the options for mitigating the risks there will still be residual exposures. It is important to recognise such exposures and to specifically accept them – this is proactive risk management. The consultant will assist the risk owners to evaluate any exposures.

These risks would be grouped together under the generic categories, developed as part of the model being used to help ensure that the reporting of risks and their movement is consistent across all activities. From the results achieved it will be possible for managers and specialist staff to assess and consider the actions that they can take to mitigate their business risks at this lower level. The results of the specific reviews can then be escalated into a corporate analysis to identify their potential impact on the organisations Key Risks.

By being aware of changes in the risk profile within their parts of the organisation, managers will be able to respond by adopting and adapting their risk management activities. Positive and pro-active risk management will result by improving or removing redundant or ineffective controls, enhancing the value gained from insurance spend and other contracts or partnerships and through a clearer understanding of the exposures faced.

This consideration of risk forms the basis of Control Risk Self Assessment (CRSA). This technique will provide an organisation wide view of risk management that can then be collated and reported. CRSA provides valuable on-going re-enforcement to the independent reviews undertaken by Internal Audit and other assurance providers, which inevitably have to be snapshots at a given period of time. Only CRSA can provide a commentary on how risks were actually managed and how thoroughly internal controls operated throughout the whole of the period of account. Such a system provides an invaluable aid to the continued development of the overall corporate governance and risk management processes.

Stage 5. Consolidation and Reporting

1.5 Consultancy days

- Comparison and analysis of output from the workshops
- Preparation of summary reports for Directors and the Risk Management Group
- Preparation of key risk matrix
- Presenting and discussing the output
- Evaluation of benefits and preparation of success measures
- Determination of optimum approach for sharing output and publicising benefits – including responsibility for action plan follow up
- Determination of steps to roll out the process to other activities e.g. planning and establishment of priorities, project management and procurement.
- Agreeing an approach to integrate the operational and other risk management activities into one holistic process.

- **Development of approach for risk based decision making using the risk registers**
- **Determination of Risk Tracking process**

Risk Tracking: Having identified the key risks it is important, that the process becomes embedded in the organisation. A mechanism therefore is needed to track movements in those risks. To this end a set of Key Risk Indicators will be identified. For each KRI a standard level of performance will also be agreed, through discussion, against which actual performance can be measured. Wherever possible this data will be drawn from existing management information. The analysis of this data, together with other risk information that might be identified, will enable regular reports to be designed to show how the risks are changing. The generation of this information will promote an awareness of changes in risks, provides risk management information and, by focusing management attention, prioritise and support the risk management process.

Stage 6. Development of Business Continuity plans (optional)

5 Consultancy days

- **Establishment of process and key steps**
- **Examining arrangements already in place**
- **Development of project milestones (a best practice BCP model will be used)**
- **Development of BCP policy statement.**
- **Incorporation of key requirements of IIII legislation**
 - **Cooperation between the emergency services**
 - **Business coordination**
 - **Readiness for incidents of National significance**
 - **The need for coordinated contingency plans**
 - **Testing of readiness**
- **Examination of partners plans to ensure consistency**
- **Development of BCP manual outline**
 - **BCP ownership**
 - **Business risks identified**
 - **Emergency incident assessment**
 - **IT and communications**
 - **Premises**
 - **Transport (particularly appliances)**
 - **Back-up and recovery**
 - **BCP personnel and supplies**
 - **Key documents and procedures**
 - **Disaster recovery phase**
 - **Planning and testing**
 - **Business recovery phase**
 - **Training staff**
 - **Keeping the plan up to date**

The consultants will prepare and deliver a comprehensive best practice BCP manual outline incorporating all information already developed together with a roadmap to enable the manual to be fully populated by yourselves.

Benefits To XXX

Amongst the benefits that XXX should gain from a formalised risk management process are:

- Better understanding of risks and exposures faced by the organisation.
- Greater ownership by managers of risk management and their systems of internal control;
- Understanding how risks are moving and the ability to model how they are accumulating;
- Integration of risk management into systems and project based development, contracting and partnership arrangements;
- Efficient and effective integration of recovery and contingency plans;
- Enforcement of ownership;
- Increased focus on and delivery of objectives;
- Encouragement to management to think outside their immediate area of responsibility;
- To challenge the status quo;
- Reduced scrutiny;
- Reduction in surprises;
- Comprehensive Business Continuity plans
- More focused use of insurance as a method of transferring risk;
- The implementation of a more cost effective control environment;
- More effective working practices between managers, auditors and other specialists;
- Better management information when considering the corporate governance of the organisation and
- Improved cost effectiveness.

Timescales

Fees and Charges

BUSINESS RISK MANAGEMENT LTD

Terms and Conditions

1 TERMS OF TRADE

Business Risk Management Ltd (the Company) will formally agree the scope, objectives and deliverables of the service to be provided and the basis of the fee, in advance of commencing work. Any subsequent revisions will be subject to discussion and agreement with the client.

Work will only be subcontracted in extreme circumstances (Severe illness, jury service etc) and only with the prior agreement of the client, and, except where otherwise agreed, the Company will remain responsible for the performance of the work.

In the event that the named consultant(s) agreed for the assignment become unavailable due to illness or other event outside the control of the Company, a consultant or consultants with equivalent experience will be assigned.

The Company will hold all information concerning the affairs of the client in the strictest confidence and will not disclose proprietary information obtained during the course of assignments

The Company confirms that all information and materials relating to the business of the Client and not otherwise in the public domain shall remain the property of the Client. The Company and each of its employees and agents shall keep such information entirely confidential and shall not disclose it to any third party without the express prior written consent of the Client.

2 CONTRACT

All offers for the provision of services by the Company as set out in its initial proposal or offer letter (the Contract) shall be deemed to be subject to these Terms of Trade.

No variation of or addition to these Terms shall form part of any Contract unless specifically expressed and accepted by the Company in writing. Any variation, addition or extension of the work to be performed within the Contract and not otherwise referred to therein will be the subject of separate arrangements with the Client to be agreed in writing by an authorised representative of the Company.

Unless otherwise agreed, all Contracts shall be governed by and continued in accordance with the law of England.

3 CALCULATION OF FEES

Fees are quoted and will be charged on the basis of the rates agreed prior to commencement of work and will not be changed during the currency of the contract.

While every effort will be made to ensure the accuracy of estimates of time and expenses to fulfil the contract, no liability is accepted in respect of such statements. Without prejudice to the foregoing, therefore, if during the currency of the Contract circumstances arise which make it clear that the estimate of total time or total charges previously provided prove to be incorrect, the Company will advise the Client of the causes and will provide a revised statement of the time and/or charges necessary to complete the Contract.

4 EXPENSES AND ACCOMMODATION

The Client will provide, without charge, suitable office accommodation and administrative services for the use by the Company's consultants necessarily working on the Client's premises.

The Client will reimburse all out-of-pocket expenses incurred by the Company in connection with the Contract including travel and subsistence costs.

5 PAYMENT OF FEES AND EXPENSES

Fees and expenses including VAT where appropriate, will be invoiced on a regular basis and are payable within 7 days of receipt of the invoice. In the event that payment is not made within 28 days from the date of submission, the Company shall be entitled to charge interest at 1% above Bank of England base rate.

6 GENERAL LIABILITIES

The Company undertakes to carry out the Contract to the best of its ability.

Statements as to the results obtainable from work to be undertaken and all related recommendations and reports, are made in good faith on the basis of information given by the Client or otherwise available or discovered during the currency of the Contract.

However, as the attainment of such results and the efficiency and accuracy of such information are dependent to a greater or lesser degree on factors outside the control of the Company, such statements, recommendations and reports shall not be deemed to be undertakings, warranties or contractual conditions.

The Company shall not be liable to the Client for any loss or damage to the Client's property or the property of any third party, or for any other loss or damage arising during or out of the performance or purported performance of its contractual obligations unless due to the negligence of the Company

The Company will ensure that the client is kept fully informed about the progress of the assignment and will encourage and take note of any feedback provided by the client on the performance of its services.

7 COPYRIGHTS AND OTHER PROPRIETARY RIGHTS

Unless otherwise agreed, all copyrights or other proprietary rights relating to reports and other documents produced in discharge of the engagement shall be and become vested solely in the Company.

Unless otherwise agreed, all reports, documents and advice submitted or offered to the Client in relation to the Contract are for the sole and confidential use of the Client and may not be transmitted or otherwise disclosed to any third party without the express prior agreement of the Company in writing.

8 TERMINATION

The Contract may be terminated by either the Client or the Company giving notice in writing to the other after the occurrence of any of the following events

- Any material breach by the other, which is incapable of rectification, of any of the provisions of the Contract or
- In the event of a material breach of the provisions of the Contract committed by the other, which is capable of rectifications and which has not been so rectified within 30 days of such notice to the reasonable satisfaction of the non-defaulting party;

9 CONTRACT COMPLETION

At the expiry or termination of the Contract;

- The Client shall pay to the Company all arrears and payments and any other sums due to the Company under the terms of the Contract;
- Each party shall be entitled to exercise any one or more of the rights or remedies accrued to it at the date of termination.

10 FORCE MAJEURE

If either the Company or the Client is affected by any circumstances beyond its reasonable control (including, any strike, lock-out or other form of industrial action, or prohibitive governmental order) ("force majeure") it shall as soon as reasonably practicable notify the other of the nature and extent thereof

No party shall be deemed to be in breach of the Contract, or otherwise be liable to the other by reason of any delay in performance, or non-performance or any obligation if due to any force majeure of which it has notified the other.

The time period for performance of that obligation shall be extended accordingly except that any obligation involving payment of monies by the Client shall not be excused by force majeure;

11 LEGAL RIGHTS

The rights and remedies provided within the Contract are cumulative and are not exclusive of any rights and remedies provided by law.