



Advanced Enterprise Risk Management

Who should attend?

- Chief Risk Officers
- Risk managers
- Managers and Directors responsible for the risk management function or process
- Heads of Internal Audit
- Heads of Assurance functions
- Senior Finance professionals
- This course will be particularly useful for delegates that have previously attended the Certificate in ERM course – although this is not a prerequisite

Course Level

- This is an advanced 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 – Group-live (with exercises and case studies to provide practical application of the tools and techniques)
- A pre-course questionnaire will be sent out 2-3 weeks prior to the course date to obtain some information about the delegate's role and to provide an opportunity to indicate specific learning requirements

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

Why you should attend

The turmoil in the world is continuing – with 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 exploit such risks at an enterprise level.

In many organizations risks have been identified as a result of control failures or as a result of pressure from regulators or Government. The primary intent has often been to tick the box and avoid criticism

Thankfully many organisations have 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.

However, stopping here is like driving a plane on a highway – it might go faster than the cars but it hasn't reached its full potential.

Advanced ERM goes one step further. Risks are scored based on business materiality with each risk being evaluated and compared by it's 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 value instead of managing costs.

CPE credits

- Participants will earn 21 CPE credits (in the Management Advisory Services field of study)

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Course Outline

Day 1: Taking ERM 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 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
- **ERM case studies**
- New paper on ERM and the role of Executive management will be shared

Exercise 1 – The challenges involved

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 2 – Exploiting Opportunities - risks and rewards

Exploring Global ERM Scenarios

- In this interactive session, delegates will explore global risk scenarios and then discuss the implications for their organizations.

The Risk register challenges

- 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 register is spread sheet based
 - The process is far too complex
- The Risk register solution

Exercise 3 –The advanced ERM risk register

ERM tips for success

- Use a risk assessment framework to assess your risk maturity and prepare a plan to enhance this maturity (if required)
- Adopt ISO31000 (the International risk standard) and apply the principles across the business
- Only use one risk matrix for the Business – every function should not develop their own
- Ensure that you have common risk terminology and communicate it widely
- Recognise risks may have multiple scenarios e.g. loss of key personnel (how many, in which area etc)
- Set meaningful Key risk indicators (KRI's) to warn you before risks materialize
- Prepare a graphical or tabular record of key risk for the Board
- Recognize that understanding risk is the key to successful corporate governance
- Arrange a reputation risk workshop for senior management
- Get the whole risk process benchmarked

Exercise 4 –ERM questions

Day 2 ERM risk measurement techniques

Risk Measurement methods

- The need for quantitative risk analysis
- Structured Interviews
- Risk workshops
- Delphi (expert analysis)
- Ishikawa diagrams (fishbone analysis)
- Failure mode and effect analysis (FMEA)
- Scenario planning
- Root cause analysis
- Monte Carlo analysis
- Bayesian networks
- The pros and cons of the various methods

Risk workshops

- The power of workshops
- Techniques for successful risk workshops
- The need to involve peer groups
- Establishing a risk workshop
- Facilitation techniques

Exercise 5 –Risk identification workshop

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 6 –Delphi analysis – the mystery

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 exercise - loss of key personnel

Failure mode and root cause analysis

- Evaluation of potential failure modes for processes
- The likely effect on outcomes and/or product performance
- Risk reduction measures to eliminate, reduce or control the potential failures
- Impact, probability and detection criteria
- Determination of RPN (risk priority number)
- Worked example of FMEA

Exercise 8 FMEA exercise

Scenario planning

- Why risks identified are often too generalised e.g. loss of key personnel
- The need to evaluate various scenarios for each generic risk
- The techniques and success factors

Exercise 9 Disaster scenario exercise

Day 3 More risk assessment techniques
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Fault tree analysis

- Systematic method of System Analysis
- Examines the system top down
- Used to investigate potential faults
- Quantify contribution to system unreliability
- Worked example

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 10 Monte Carlo exercise

Bayesian networks

- Bayes theorem
- Adding more data to an original idea to enhance decision making
- Use of Bayesian networks
 - Will it rain tomorrow
 - Visiting the doctors
 - Banking sector

Exercise 11 Bayesian network exercise

Emergent risks

- There is no clear boundary with other types of risk
- Emergent Risks cannot often be easily anticipated
- At early stages they are often low probability / high impact
- Areas for consideration
 - Political
 - Regulatory
 - Legal
 - Security
 - Technology
 - Environmental
 - Knowledge

Exercise 12 – Team Exercise to enable you to appreciate the emergent risks

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 13 - Identifying KRI's