BUSINESS RISK MANAGEMENT LTD

Essentials of Risk Management

Who should attend?

- Managers and Directors responsible for implementing a formalised risk management process
- Newly appointed risk managers and risk officers
- Internal Auditors and audit managers who are being asked to assist the business in establishing a risk programme
- Other assurance professionals such as those in Compliance and QA functions who are being asked to review the risk process
- Risk co-ordinators or risk owners

What you will learn

- How to implement a world-call risk management process
- How to develop or update a risk strategy
- The different methods for measuring risk
- The link between inherent and residual risk
- How to determine and communicate risk appetite
- How to implement effective risk mitigation
- How to link risk management into the business planning process
- How to make risk management a positive rather than negative process

Many organisations will now have embarked on a formal programme of risk management, in line with the Corporate Governance requirements of countries in the region.

If you have not done so, now is the time to introduce a formal risk management process.

If you have embarked on implementing such a process and it has not been a positive experience it is probably because you have either: -

- **Failed to get your Chief Executives direct support**
- **Not sold the benefits effectively enough**
- **Not delivered measurable benefits**
- **Not established a common risk language**
- **Not fully engaged management in the process**
- **Had insufficient skills to facilitate the workshops effectively**
- **Failed to establish a clear risk strategy**
- **Failed to embed the process into the business objectives**
- **Failed to deliver consistent and simple output.**
- **Not linked risk management into performance incentives**

In either event it is not too late – this workshop will provide you with all the practical tools and ideas you need to introduce or revitalise your risk management process

If the risk management process has been positive and successful you will be now ready to keep up the momentum and embed a positive risk culture in your organisation.

Led by world-renowned risk management guru, Phil Griffiths, this 4-day course will demonstrate how to identify and evaluate risks, as well as how to deliver an effective process throughout your business

Course Outline

Day 1 The risk management background

Breaking down the barriers

- **Why risk is misunderstood**
- **Think of risk as driving a car**
  - **We should not speed but most people do**
  - **We should always wear seatbelts in the back of the car– but do we?**
  - **When did you last get the tyre pressures checked?**
- **If we do not take the risks seriously in our everyday lives, how confident are you that the same does not happen in your business**
- **The role and responsibilities under Corporate Governance legislation**
- **Definition of risk**
- **Why risk should be seen as failure to get things right rather than what can go wrong**
- **The need to design risk strategies and systems to suit the organisation**
- **Establishing a business risk programme - the steps to success.**

Exercise 1 The major risks in your organisation

Background

- Why business risk management is receiving such publicity
- High profile corporate failures and public embarrassments
- The changing world environment
- The need to take account of political and other sensitive risks
- Key aspects of the new ISO 31000 risk management standard and its implications
- US (COSO) and Institute of risk management standards

Exercise 2 The changing risk environment

The Wider Business Agenda

- The need to understand the organisation's strategic objectives
- Developing a programme to reflect these objectives
- Why financial risks are only the tip of the iceberg
- Surprises and risk
- Risk appetite or risk tolerance and why this is not well understood
- The need to determine risk tolerance for each risk
- Categories of Risk
    - Strategic
    - Operational
    - Financial
    - Political
    - Environmental
    - Financial
    - Regulatory
    - People

Exercise 3 Determining risk appetite

The risk culture of the organisation

- Is the organisation primarily risk averse or risk enabled?
- Is there a general culture of risk management at all levels
- Do managers and staff feel able to raise risk related issues?
- Do staff have clear reporting chains and mechanisms to raise risk issues?
- Do managers and staff feel able to raise risk issues even where this may be seen as 'bad news'?
- Are they encouraged and empowered to identify and take opportunities that will better deliver aims and objectives?
- Are they confident that their concerns/ideas will be heard and acted on?
- Are staff rewarded for taking well-managed risks?
- Are staff confident that they will not be blamed for failure when risks have been well managed?
- Are staff encouraged to challenge practices, to identify new ways of doing things and to be innovative?

- Do the monitoring and reporting systems generate an expectation that action will be taken on issues raised?
- Is risk management encouraged as part of the established way of planning and delivering the departments business?
- Is risk management performance embedded in recruitment and performance appraisal?
- Is risk management incorporated into quality measures

Exercise 4 Evaluating the risk culture

Developing a risk strategy

- Sets out the organisation's attitudes to risk
- Defines the structures for the management and ownership of risk
- Specifies the way in which risk issues are to be considered at each level of business planning and delivery
- Includes risk as an opportunity (if it can be managed effectively) as well as a threat
- Supports effective innovation and encourage well-managed risk taking to generate improved delivery of aims and objectives
- Specifies how new activities will be assessed for risk and incorporated into risk management process
- Defines terminology to be used in relation to risk issues
- Defines the structures for monitoring, review and gaining assurance about the management of risk
- Defines the criteria that will inform assessment of risk and the definition of key risks
- Defines the way in which the risk register(s) and risk evaluation criteria will be regularly reviewed
- Is available to all staff and reviewed at least annually to ensure it remains appropriate and current
- Is endorsed by the Head of the organisation/ Board / Audit Committee / Risk Committee?
- Allows for balancing the portfolio of risk
- Were views from in-house stakeholders (e.g. employees, internal experts, auditors etc) taken into account?
- Is the risk management strategy integrated with established policies for departmental business activities (i.e. policy, planning, delivery etc)
- Allows for peer review and the benchmarking of risks where appropriate

Exercise 5 Developing or reviewing the risk strategy

Day 2 The risk management process

Risk Identification and Evaluation

- How to measure the impact and the likelihood of occurrence of each risk
- Cause and effect and the implications for risk management

- The need to identify at least 6 different criteria for measuring impact
- The need to give every risk a monetary value –and recognise that this may be a range of possible monetary impacts
- How to identify, sift and group the risks
- The use of risk matrices to prioritise the risks
- Methods of risk identification and the pro's and con's
  - Workshops
  - Scenario planning
  - One to one meetings
  - Questionnaires
  - Risk studies

Exercise 6 Risk identification options

Risk Workshops

- How to establish a risk workshop process
- The benefits of facilitation and the characteristics required
- The use of diagnostic questions and thought-provokers
- The pros and cons of using data capture technology
- Tips and techniques

Exercise 7 Risk workshop – a risk workshop will be held allowing you to experience the new ideas 'live'

Recording of risks

- Documentation is required which will :
- Identify key risks
- Record identified risks and opportunities in a structured way to record dependencies between risks
- Record linkages between lower level risks and higher-level risks
- Facilitate assignment of ownership at a level that has authority to assign resources to the management of the relevant risk
- Evaluate risks using defined criteria that are applied consistently
- Provides evaluation of : -
  - Inherent risk (before any control implemented)
  - Residual risk (risk remaining after controls are implemented)
  - Retained risk (the risk you are happy to keep – your risk appetite)
  - Why it is considered that the defined acceptable level of exposure can be justified
- Identifies assigned ownership of the risk

Exercise 8 Risk in action – an exercise in risk and reward

Risk Mitigation

- How to assess risk mitigation
- The need for a second workshop
- Rescoring of risks as residual risks
- Techniques for scoring the risks

- Identification of risk exposures
- Determination of risk appetite
- Dealing with the resultant exposures –risks above the appetite
- The treatment options - the 4 Ts - terminate, tolerate, treat or transfer
- Establishment of action plans.
- Allocation of risk owners

Exercise 9 Interactive risk workshop part 2 – risk mitigation

Day 3 Embedding the risk process

Developing staff awareness

- Staff need appropriate guidance and training on the typical risks that the organisation faces in relation to their role/job, and the action to take in managing these risks
- Personal performance review should include assessment of relevant risk management skills and establish development objectives to fill any gaps
- Arrangements need to be put in place to ensure new staff receive early assessment of their development needs and appropriate guidance, training etc to rapidly address these needs.
- Skills transfer should place take place when consultants or risk management professionals work within local teams
- Staff should be made aware of the key objectives, priorities and main risks facing the organisation as a whole and their part of the business

Exercise 10 Developing staff awareness - ideas

Integrating the output into the business planning process

- Linking corporate risks into the Strategic planning process
- Linking operational risks into service planning
- Risk owners – how to determine such personnel and enforce ownership
- Annual statements by risk owners
- Developing risk tracking
- Using the risk register as a decision skeleton
- Development of key risk indicators (KRI’s)
- Risk Management Committee reporting
- Half yearly evaluation of key risks to ensure new risks identified and included
- Reports for Senior Management - power point example will be shared

Exercise 11 Risk and business planning

Risk Monitoring

- **Review and assurance mechanisms need to be put in place**
- **Each level of management, including the Board, must regularly reviews the risks and controls for which it is responsible**
  - **Red risks by the Board every month**
  - **Yellow risks by heads of departments every quarter**
  - **Green risks by risk owners twice a year**
- **These reviews need to be monitored by / reported to the next level of management**
- **Any change in priorities or controls should be clearly recorded and either actioned or reported to those with authority to take action**
- **Risk identification, assessment and control lessons that can be learned from both successes and failures should be identified and communicated**
- **Is there an appropriate level of independent assurance provided on the whole process of risk identification, evaluation and control?**
- **Is the methodology for gaining independent assurance defined with particular reference to the role of internal audit and the audit committee?**
- **Has any system of peer review and/or benchmarking been used to provide independent assurance of the approach used and the results?**

Exercise 12   Risk monitoring – who should undertake the role?

Identifying, assessing and managing risk in Partnerships and contracts

- **Are the risks associated with working with other organisations assessed and managed?**
- **Are there arrangements to ensure a common understanding of the risks and how they can be managed (e.g. a joint/shared risk register, sharing of risk register information, agreed risk assessments etc)?**
- **Are there arrangements for agreed standards for assessing risks?**
- **Has the same risk terminology/language been agreed?**
- **Is there clarity about who is carrying which risks and what the requirements are for providing information?**
- **Are those responsible for managing the risks empowered to do so?**
- **Do all organisations understand and have confidence in the risk management arrangements of all those involved in the joint working or who could influence the success of the programme?**
- **Are there incentives for partners to manage risks effectively (i.e. is the risk reward balance right for each partner)?**
- **Are arrangements in place to ensure sufficiently early and effective communication on risks and risk issues with staff and both internal and external stakeholders**

Exercise 13   Assessing risks in partnerships and contracts

Day 4 The benefits to be achieved

Recording the Risk Environment

- 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
- Coordinating assurance under the risk umbrella

A successful model will be shared

- How to use the risk process to break down the cultural barriers
- Making risk management second nature
- Keeping up the momentum

Exercise 14 Risk recording

Risk management Outcomes

- The need to measure the benefits
- Effective anticipation and management of strategic risks
  - Reduction in levels of threat
  - Higher risk 'opportunities' being identified and successfully pursued
  - Successful anticipation of shocks or other risk events
  - Reduced adverse impact of unexpected/low likelihood events
  - Crises being avoided or mitigated (e.g. analysis of near misses, avoiding issues escalating into crises)
  - Contingency and business continuity plans being drawn up and successfully tested

- Better decision and policymaking
  - A robust evidence base for decisions
  - Stakeholder involvement and understanding of stakeholder issues and perceptions
  - Proactive promotion of innovation occurring knowing that risks can be managed effectively
  - Allocation of resources (including skills/capabilities) and prioritisation in line with aims and objectives
  - Assessment of resources allows time/resources for staff to learn any new working methods
  - High quality risk assessments and risk management proposals in delivery plans, policy formulation, business plans etc
  - Few significant and unanticipated weaknesses arising
  - Few policy failures (e.g. few legal challenges) consistent with the risk appetite/tolerance
  - Good identification and management of reputational risks
  - Few issues resulting in reputational damage
  - High level of customer/stakeholder satisfaction

Exercise 15   Risk Exercise – results

Other Outcomes

- More programmes and projects should be delivered to time, to budget and meeting management expectations
- Fewer significant failures consistent with risk appetite/tolerance should be encountered
- Fewer regulatory challenges citing failures of risk management?
- Fewer adverse press reports
- Improved value for money
- Effective control of fraud (e.g. evidence of less fraud or trend towards less fraud – both fewer instances and reduced size of loss
- More effective cash management

Exercise 16   Measuring the benefits

Further developing the process

- Workshops for other management levels
- Introducing risk management onto staff meeting agendas
- Development of Key risk indicators (KPI's)
- Getting the Risk Management programme audited
- Identification and reduction of unnecessary controls
- How to use the programme to change the culture in a positive way

Exercise 17   The bamboo pole