



ENTERPRISE WIDE RISK MANAGEMENT

TRAINING SYNOPSIS

PARTICIPANTS:

The programme will be of particular benefit to

1. Senior and mid-level managers who need to grasp the concepts
2. Managers with accountability for risk who need to understand the process and implementation of ERM
3. Risk professionals in specialised disciplines who wish to broaden their level of practical understanding and enhance their ability to implement ERM

DURATION: Two full days

FORMAT AND LEARNING PLATFORM:

- Interactive and experiential, supported by a case study
- A mixture of formal learning interspersed with illustrative use of an appropriate case study. The latter will run throughout the programme and each module will be taught in the context of the case study

ASSESSMENT:

- Use of case study
- Response to case study measured against model answers
- The programme may be split into one day modules each week to allow trainees to prepare answers to the case study which are then evaluated the following week

PROGRAMME OVERVIEW:

The purpose of this programme is to enable trainees to demonstrate:

- An understanding of enterprise risk management (ERM);
- Competence in applying a risk management framework in the execution of their duties;
- Competence in developing risk management policies, procedures and methodologies in their functional work areas.

CORE CONCEPTS

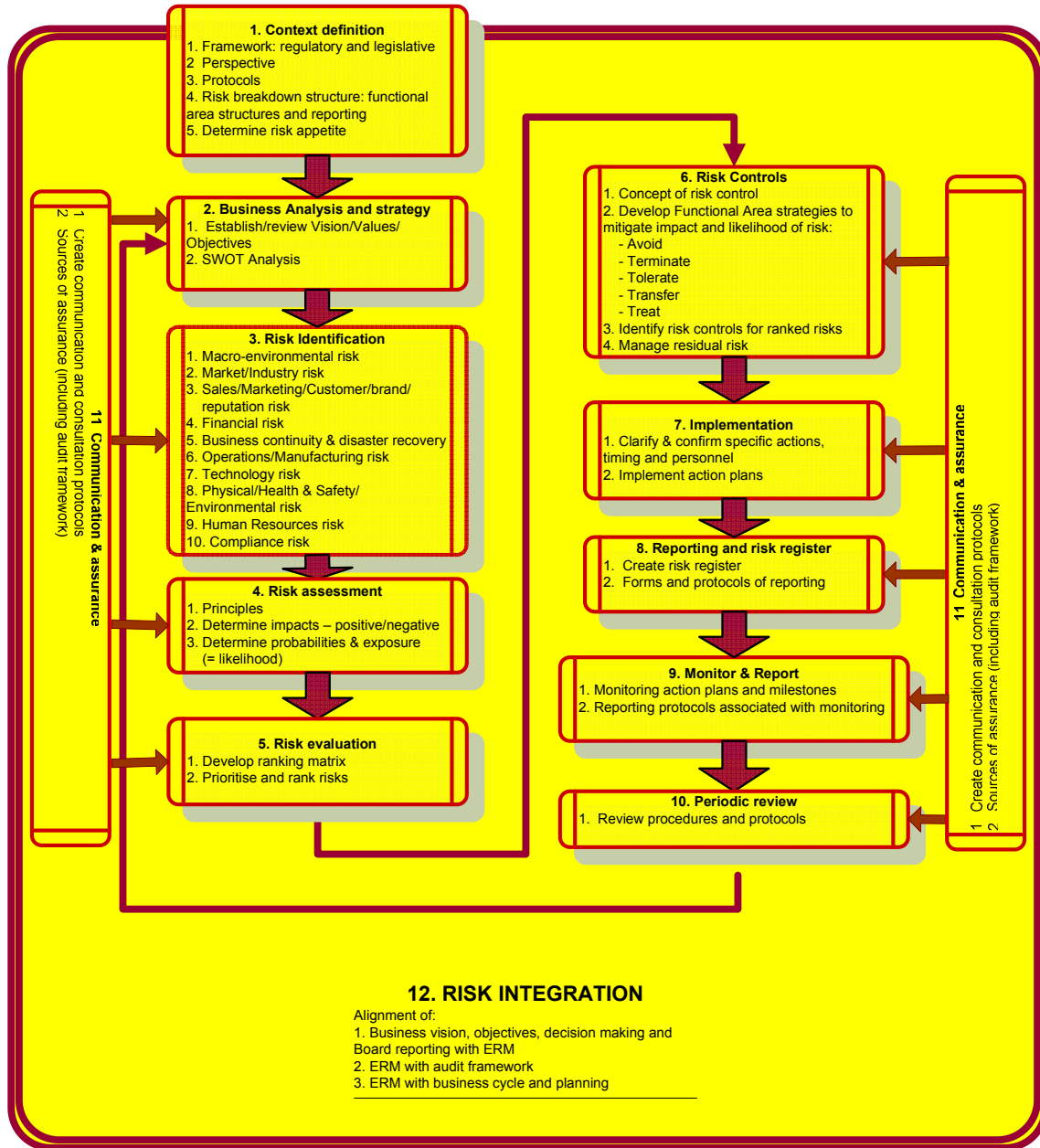
In this programme trainees will learn the following key concepts:

- definition of risk and enterprise risk management (ERM)
- ERM in its corporate governance context
- the process of risk management
- organisational risk management structures
- risk appetite
- the classification and identification of risks
- probability of risk and severity of impact
- risk prioritisation
- risk management strategies (the 4 Ts)
- risk control measures
- risk registers
- maintaining an ERM structure and programme

TRAINING CASE STUDY CONTENT

- Vision and business objectives
- Business of the organisation in any appropriate sector
- Operational history of the organisation
- Existing systems and structures
- Current operational status of the organisation
- Functional areas and organogram
- Financial statements
- Risk management framework

The IRMSA Enterprise Risk Management Training Model



Context Definition:

"The term "enterprise risk management" has become the preferred name for the process that responds to every conceivable type of risk in every part of the enterprise" – IRMSA Code of Practice"

"Risk assessment processes begin with the profiling of the business context" – IRMSA Code of Practice

The Student will understand:

1. *Outline internal & external environment including King II and regulations.*
2. *Risk Management framework for the organisation including Risk Management Process.*
3. *Risk Context (outcomes):*
 - *Scope and boundaries*
 - *Performance objectives*
 - *Status thresholds / Risk Appetite*
 - *Roles & Responsibilities (Internal & External)*
 - *Resource allocation*
 - *Protocols (Identify, review, reporting frequency, level of mitigation planning (include cost vs benefit analysis), incident reporting)*

Business Analysis and Strategy:

"Management is accountable to the Board for designing, implementing and monitoring the process of risk management, and integrating it into the day to day activities of the company" – King II Report "

The Student will understand:

1. *How to establish /review vision/values/objectives*
2. *Establishment of risk structures: Risk Breakdown Structure /WBS/Organisation/Functional areas*
3. *SWOT analysis to establish high level focus areas of risk assessment. To determine high level view of where problems area are.*

Risk identification:

Having established the business profile, the risk assessment process must then identify the potential sources of risk" – IRMSA Code of Practice

The Student will understand:

1. *Areas/activities in the organisation and business environment where risks can be present.*
2. *The different risk identification methodologies and methods and how to apply these*
3. *The difference between Micro and Macro risk identification*

Risk assessment:

"The risk assessment process should consider risks that are significant to the achievement of the company's objectives" – King II Report

Risk assessment is the process of establishing the impact and likelihood of a risk event, by applying a consistent methodology to all the risk issues identified.

The Student will understand:

1. *The concept of risk assessments.*
2. *The concept and determination of impact of risks*
3. *The concept and determination of likelihood of risk (probability and exposure)*
4. *The concept of and difference between inherent and residual risk.*
5. *Types of quantitative and qualitative risk criteria.*
6. *The concept and determination of effectiveness of controls associated with risk identified.*

Risk evaluation:

"The ranking of risks in terms of net potential effect provides management with some perspective of priorities" – IRMSA Code of Practice

Risk evaluation is the process of establishing a relative ranking between risks, so that some form of ranking can take place. This allows us to make decisions about what treatment strategies should be followed to deal with the risks identified.

The Student will understand:

1. *Risk prioritization*
2. *Why we need to prioritise risks and be able to prioritise risk using the different risk assessment methodologies and risk matrices (heat maps).*
3. *Risk ranking methodologies, including the development of a risk matrix.*
4. *And be able to make decisions, based on the risk analysis, about which risks need treatment and the treatment priorities*
5. *Decisions may be based on the level of risks but may also be based on thresholds specified in terms of:*
 - *Specified consequences;*
 - *likelihood of specified events or outcomes; and*
 - *cumulative effect of multiple events.*

Risk Controls:

"Controls should be established to encompass all management responses to risk."
(KING II)

“A risk control is a measure identified and implemented to mitigate the anticipated impact of a negative risk or to reduce the likelihood of the risk materialising or to do both. When the risk is a prospective opportunity, the control capitalises on the risk and ensures proper management thereof to maximise the possibility of reward.” (A-Cubed Institute (Pty) Ltd and A-Cubed Consulting (Pty) Ltd)

The student will understand:

1. *The meaning of risk control;*
2. *The control strategies available;*
3. *How to identify specific control measures;*
4. *Cost/benefit analyses associated with controls;*
5. *How controls link back to risk register priorities;*
6. *The interaction between controls and risk appetite;*
7. *Residual risk and control effectiveness.*

Implementation:

“These [action steps] should be designed to respond to risks throughout the company and its external environment and should include a diverse range of activities aimed at enhancing the control environment.” (KING II)

Implementation of risk control measures requires the identification, allocation and carrying out of particular action steps to give good effect to the identified control measures. This module deals with the above steps and the management of such action steps.

The student will understand and be able to apply:

1. *The need to apply specific actions to each control measure in the context of the previous module;*
2. *The need to manage the specific actions in the context of resources available;*
3. *The need for basic management skills;*
4. *Methodologies for managing specific actions including the use of database software such as Excel and commercial risk management packages.*

Risk Registers:

“The monitoring of risks should be linked to key performance indicators and organizational objectives, so that the accuracy of the risk assessment and the effectiveness of internal controls can be evaluated objectively.” KING II

A vital part of risk monitoring requires an awareness of the risks which are to be monitored. This awareness is recorded in a risk register which is created in consequence of the risk assessment and evaluation.

The student will understand:

1. *The meaning and use of a risk register;*
2. *Contents of a risk register;*
3. *How to create a risk register;*
4. *How to maintain a risk register in a current form.*

Key performance indicators and business objectives:

King II links risk monitoring to key performance indicators and business objectives. Students should therefore be versed in the sort of key performance indicators and business objectives which will make risk monitoring relevant.

The student will understand:

1. *The link between risks, risk monitoring, key performance indicators and business objectives;*
2. *How to source key performance indicators;*
3. *How to measure risks against the key performance indicators and business objectives.*

Implementing risk monitoring processes and systems:

In order to ensure effective risk monitoring, appropriate and effective risk monitoring processes and systems must be devised which align with other management systems in the organization and which enable the risk manager to monitor risks on an ongoing basis.

The student will understand:

1. *The need for effective risk monitoring processes and systems;*
2. *How to install and implement such systems;*
3. *How to engage in the monitoring of risks in a manner which aligns with other management systems;*
4. *How to manage risks in relation to the cost of risk controls;*
5. *How to establish internal communication networks or frameworks which are appropriate to the organization;*
6. *How to participate effectively in a risk committee;*
7. *The required frequency of risk monitoring.*

Risk reporting:

“The reports from management to the board should provide a balanced assessment of the significant risks and the effectiveness of the system of internal control in managing those risks.” KING II

In view of the fact that ERM is a powerful method for monitoring business processes, it must therefore be readily accessible as a management tool. The risk manager must

know how to report within an hierarchical structure, when, to whom and with what information.

The student will understand:

1. *The need for regular risk reporting to the board, management and audit committee;*
2. *The format of risk reporting;*
3. *The frequency of risk reporting.*

Periodic review:

“The reports from management to the board should provide a balanced assessment of the significant risks and the effectiveness of the system of internal control in managing those risks.” KING II

In view of the fact that risk is rarely a constant, it changes much of the time, as do the systems and protocols by which risk is managed. The risk manager must create review protocols and procedures.

The student will understand:

1. *The need for regular review of protocols and procedures;*
2. *Methodology and procedures for conducting such reviews.*

Communication and assurance:

“The Board will report to shareowners and stakeholders regarding risk developments within the enterprise” – IRMSA Code of Practice

The Student will understand:

1. *How to identify stakeholders*
2. *How to define information to be communicated and precipitating events.*
3. *How to develop a risk based audit plan.*
4. *How to define who should be communicated with, when and how (this may differ significantly depending on the audience – internal and external).*

Risk integration:

“Management is accountable to the board for designing, implementing and monitoring the process of risk management, and integrating it into the day-to-day activities of the company.” (KING II)

Risk integration encompasses all aspects of ERM, emphasising the need to integrate ERM into and align it with all other business processes.

The student will understand:

- 1. The need for integration of risk management into the organisation's wider planning process;*
- 2. Some of the processes for achieving such integration.*

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