Enterprise Risk Management
Course outline

Day One: Understanding Enterprise Risk Management (ERM)

What is ERM

- Explanation of ERM and why it is not fully understood
- The current economic crisis and how ERM can provide a lifeline
- The role and responsibilities of directors and senior management with respect to ERM
- ERM roles
- ERM tips
- Strategic, financial and operational risk.
- The key link between corporate governance and risk
- Selling the benefits to top management
- How to quantify and measure risk – and why the approach followed by most organizations, may be misleading
- Establishing a business risk programme - the steps to success
- Why ERM is receiving such publicity
- High profile corporate failures and the lessons to learn

Exercise 1 – 60 questions about risk management

Risk standards

- Risk standards – choosing the right one
- Explanation of the new ISO 31000 international risk standard
- ISO 31000 and ERM paper will be shared
- AUS/NZ 4360 standard
- COSO
- COSO ERM paper will be shared
- IRM standards
- The regulatory regime and impact on ERM

The link between ERM and strategic objectives

- The need to understand the organisation’s strategic objectives
- Developing a programme to reflect these objectives
- Risk appetite – the least understood aspect of risk?
- External risk statements – principal risk factors
- Examples of risk appetite statements will be provided
- Categories of risk
Exercise 2 – Analysing a Disaster

Establishing an Embedded Risk Management Process

- Risk management framework guide
- Surprises and risk
- Why financial risks are only the tip of the iceberg
- The widening of the risk portfolio
- Risk cultures
- IRM paper on risk culture assessment
- The challenges
- New and emerging risks - reputation, social, environmental
- Updating the risk strategy for your organisation
- Establishing the business case
- Selling the benefits to management
- The need for risk champions
- Risk and competitive advantage

Exercise 3 – Risk Taking In Action

Risk Identification and Evaluation

- Approaches and techniques
- How to establish a risk workshop process
- Risk workshops – the do’s & don’ts
- How to identify, sift and group the risks
- Measuring the consequences and the likelihood of occurrence of each risk
- The use of risk matrices to prioritise the risks.
- The need for effective facilitation
- Facilitation skills

Exercise 4 Interactive Risk Workshop - Part 1

- Risk as an opportunity
- 3 papers on the recording and evaluation of opportunity and linkage to performance management will be provided
- The use of diagnostic questions and thought-provokers
- The pros and cons of using data capture technology
- Other methods of risk identification
  - Monte Carlo Simulations
  - Bayesian networks
  - Scenario planning
  - Failure Mode analysis
• Root cause analysis
• HAZOP analysis

Exercise 5 – FMEA analysis

Assessment of Risk Mitigation

• Controls or mitigation
• Ensuring risks are managed effectively
• How to assess risk mitigation
• The need for diligence and challenge
• Identification of risk exposures
• Dealing with the exposures (the 4 Ts - terminate, tolerate, treat or transfer)
• Recording the risks – risk registers or risk maps
• Risk registers – do’s and don’ts
• The need to keep the process as simple as possible
• Establishment of action plans
• Allocation of risk owners

Exercise 6 Interactive Risk Workshop – Part 2
Risk Mitigation and Dealing with the Exposures

Day two : Dealing with the risks

Linking the output from Risk Workshops into the Business Planning Process

• Linking corporate risks with 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
• Quarterly board reporting to review progress in addressing the exposures
• Risk management committee reporting
• Half yearly evaluation of key risks to ensure new risks identified and included

Exercise 7 – Team Exercise to enable you to appreciate the emerging risks
People and Process Risks

- Key risk themes and how to deal with them
  - Failure to manage projects effectively
  - Loss of IT systems
  - Failure of partners or inability to establish effective partnering
  - Loss of key personnel
  - Hacking/breach of system security
  - Failure to innovate
  - Poor prioritisation of systems development
  - Loss of morale / stress
  - Too much data – insufficient information
  - E-Commerce – the key risks and steps to take to mitigate them
  - IT security – how to evaluate effectiveness and influence change

Exercise 8 – People and System risks

Reputation risk

- Definitions
- The rise of reputation as a key risk
- The increasing importance of a positive image – the need to be admired
- Where does reputation come from?
- How do you measure it?
- The magnifying effect on reputation of business failures
- The explosion of regulation and external assurance
- Damage by association – partnering and alliances
- Identifying reputational risks
- A checklist for reviewing reputational risk will be provided
  The checklist incorporates sections on:
  - Financial performance
  - The senior management role
  - Quality of service provision
  - Treatment of staff
  - Social responsibility
  - Customer service

Exercise 9 - How to Judge Reputation

Recording the Risk Environment

- The need to coordinate and link the output
- Flagging interdependences – 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
- How to use the risk process to break down the barriers
- Reports for senior management

**Exercise 10 – Risk management reports**

**Cascading the Process**

- Making risk management second nature
- Keeping up the momentum
- Risk financing and how to introduce the disciplines
- Integrating health and safety, insurance and claims etc
- Risk awareness for staff
- Sharing output with partners
- Evaluating risks within these relationships
- Risk indicators (KRI’s)
- New paper on KRI’s will be provided
- Auditing the risk management programme
- The Internal Audit role in the risk management process – guidance and advice
- Feeding key risks up the organisation
- Coordinating the whole process
- Useful web sites and reference books
- Measuring the benefits

**Exercise 11 - Measuring the Benefits**

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