



# Enterprise Risk Management

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# Introduction

Let us see Governance and risk management in manufacturing company



*XYZ company*

**Tell me about this company**

XYZ is a manufacturing company and it actually transformed its crisis into an opportunity to enhance its Enterprise Risk Management practices for value creation.

**How old is this company?**

This manufacturing company has been in operations for past 20 years and has grown from a small domestic company into a complex global organization.



*XYZ company*

# Introduction



*XYZ company*

## What was the issue?

A significant financial restatement led the Board of Executives to take a hard look at company's governance, risk management and compliance functions

## What results did the management team end up with?

The results they gathered showed that the Enterprise Risk Management (ERM) functions or practices were insufficient to support its current business



*XYZ company*

# Introduction



*XYZ company*

**Now, what they are likely to do? Do they implement ERM programs?**

For an aggressive five-year growth plan, company leaders set out to transform the company into a Risk Intelligent Enterprise by implementing sustainable ERM programs

**So what are the benefits?**

ERM will help management to have a more consistent view of risks throughout the business and also to take important strategic decisions



*XYZ company*

# Introduction



*XYZ company*

## How did they start?

The company began by laying the foundation for the ERM program and developed corporate level risk objectives. The company evaluated and prioritized its risk exposures and mitigation efforts in order to understand where to focus its future investments

# Introduction



*XYZ company*

## What were the next steps?

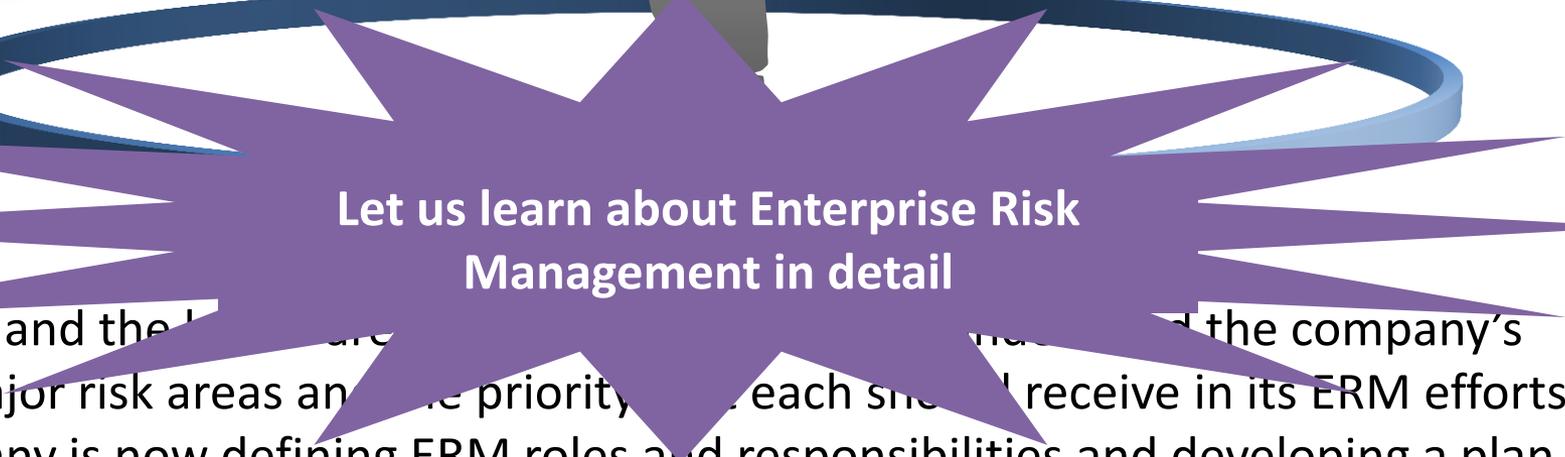
With the help of external assistance, the company:

- Established a steering committee of representative, corporate leaders to oversee and monitor the implementation of ERM
- Established ERM charter
- Developed common risk definitions
- Developed the company's risk assessment criteria
- Identified and prioritized key enterprise risks
- Developed a prioritized list of top 20 risks to the company based on impact, vulnerability and speed of onset
- Identified important interrelationships among risks

# Introduction



**CEO's message:** "Our ERM program will be a strategic asset for the company in executing our aggressive global plans for growth"



**Let us learn about Enterprise Risk Management in detail**

Executives and the Board are currently reviewing the company's current major risk areas and the priority areas each should receive in its ERM efforts. The company is now defining ERM roles and responsibilities and developing a plan for implementing and communicating the program throughout its global business

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# What is Enterprise Risk Management?



“ERM is the ongoing proactive process of adopting a holistic approach across the enterprise towards all the uncertainties which may affect either positively or negatively the achievement of its key purposes and objectives, leading to action for achieving greater business robustness and flexibility, efficient risk taking and an appropriate risk-reward balance”



# ERM vs. Traditional Risk Management



o Vision  
o Mission  
o Goal  
o Strategy  
o Action Plan



FAIR —  
GOOD —  
GREAT —  
EXCELLENT —

## Strategic application

ERM approach is closely connected to business decisions of an organization. Since its application is for the entire organization, it supersedes any departmental or functional autonomy to encourage review and organization's value-based objectives

## Risks considered

ERM is concerned with managing all sort of risks which affect the organization's ability to meet its objectives. It allows the organization to stay focused on certain important areas

## Performance metrics

ERM emphasizes results-based performance measurement throughout the organization. Results indicate whether the application of a particular risk management strategy has helped the organization to achieve its business goal

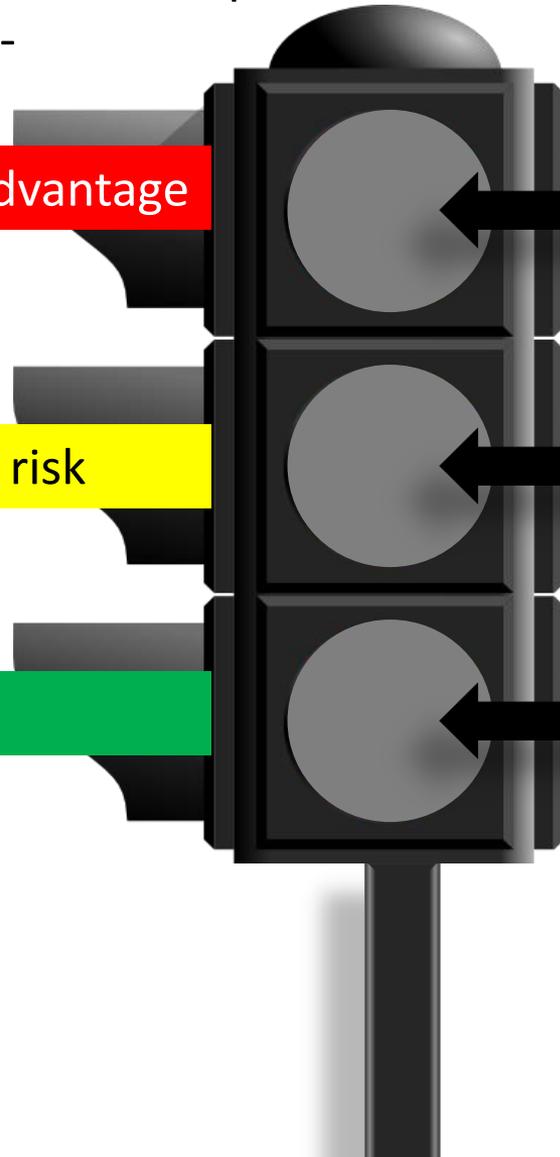
# Why implement ERM?

ERM helps an organization manage its risks to protect and enhance enterprise value in 3 ways:-

Establish sustainable competitive advantage

Optimize the cost of managing risk

Improve business performance

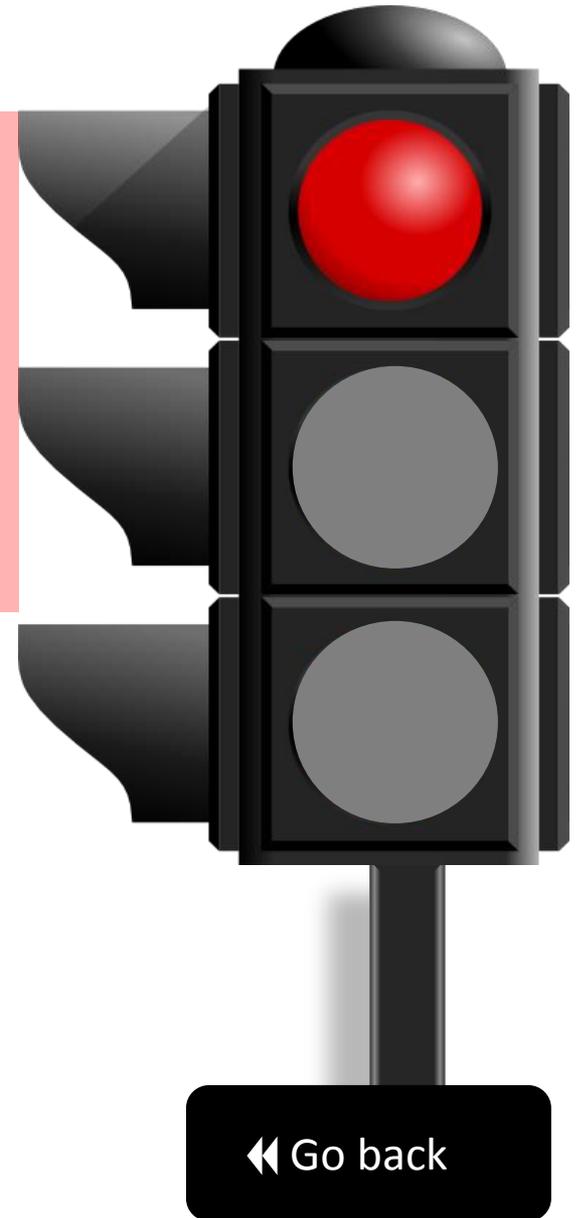


Click any of the circles to know in detail

# Why implement ERM?

## **Establish sustainable competitive advantage :**

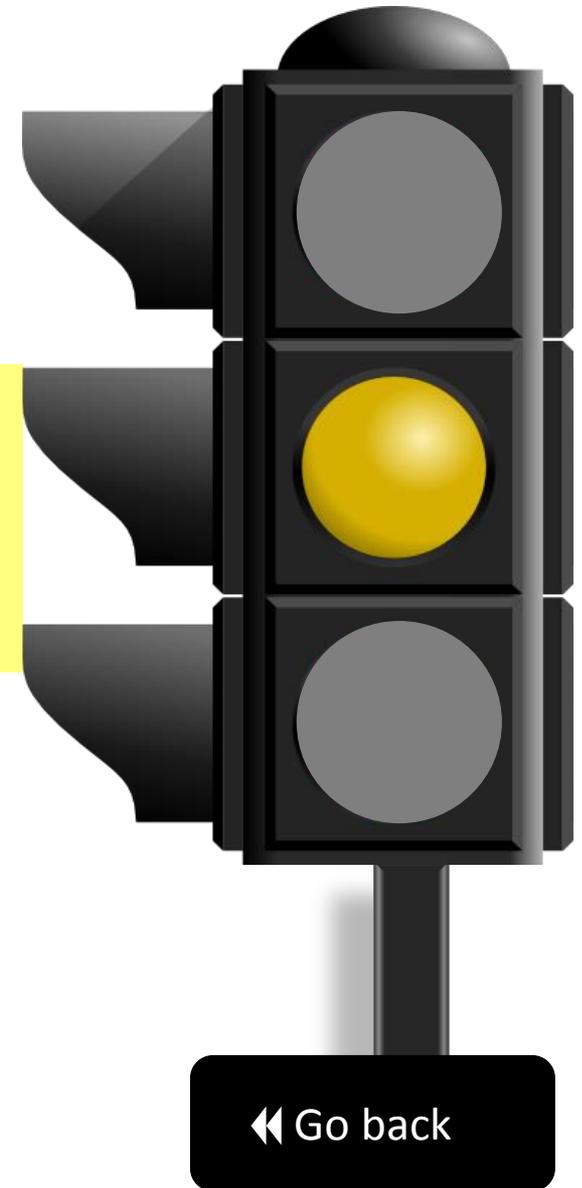
Enterprise Risk Management aligns and links the various views of an organization and helps the organization to successfully respond to a new environment. It pays attention to all sources of organizational value and does not concentrate on physical and financial ones



# Why implement ERM?

## **Optimize the cost of managing risk:**

The organization is able to analyse the level of risk it can take. The management avoids redundant activities, acceptance of risk and transfer decisions

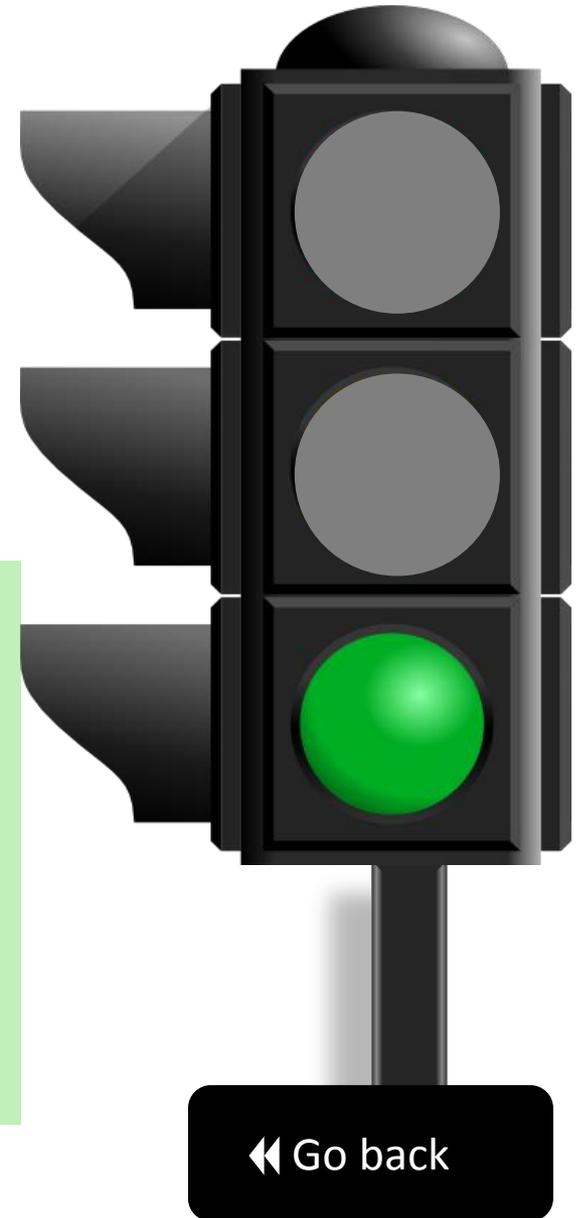


# Why implement ERM?

## Improve business performance

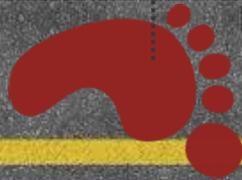
ERM assists the management with reducing unacceptable performance variability by

- a. Anticipating the impact of major events, and
- b. Making responses to avoid those events from happening and/or manage the impact on the organization if they happen

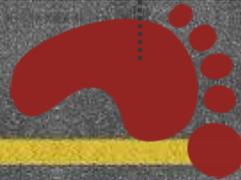


# 5 steps to implementing ERM

Conduct a Enterprise  
Risk assessment



Advance those risk  
management capabilities  
for priority risks



Advance the risk  
management  
capabilities for other  
key risks



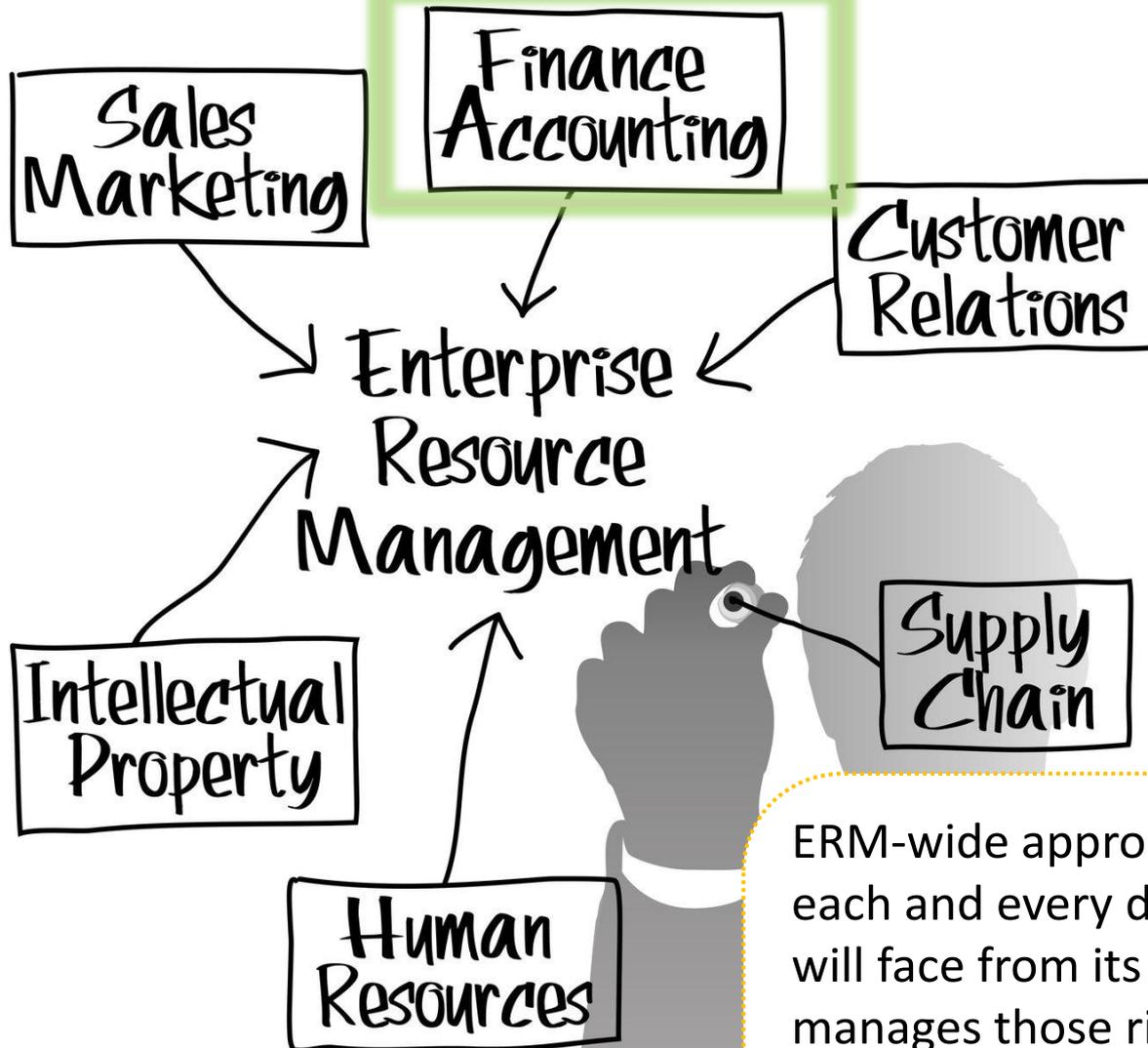
Clearly state the ERM  
vision and value  
proposition around  
your priority risks



Evaluate the  
capability of the  
existing ERM  
infrastructure

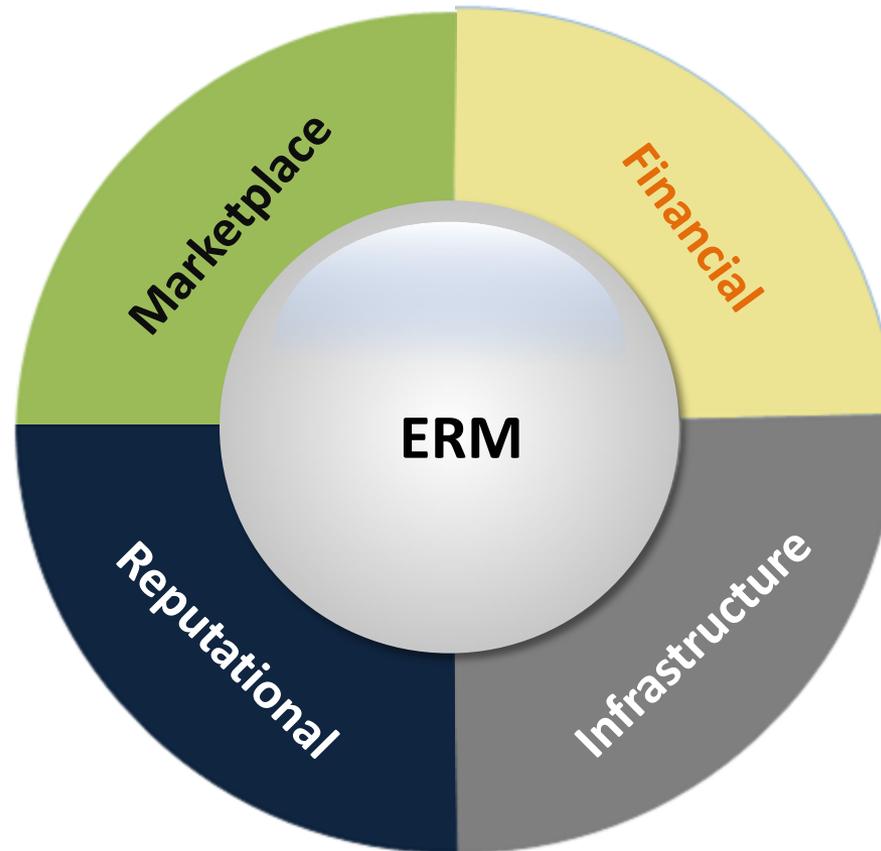


# ERM-wide approach



ERM-wide approach looks at the risks which each and every department of an organization will face from its various operations. ERM manages those risks which hinder the achievement of objectives

# Benefits of ERM



Click here  
to see each  
one in  
detail

# Benefits of ERM

## Financial

## Infrastructure

## Reputational

## Marketplace



- Reduced cost of funding and capital
- Better control of CapEx approvals
- Increased profitability for organization
- Accurate financial risk reporting
- Enhanced corporate governance

# Benefits of ERM

Financial

**Infrastructure**

Reputational

Marketplace



- Efficiency and competitive advantage
- Achievement of the state of no disruption
- Improved supplier and staff morale
- Targeted risk and cost reduction
- Reduced operating cost

# Benefits of ERM

Financial

Infrastructure

**Reputational**

Marketplace



- Regulators satisfied
- Improved utilization of company brand
- Enhanced shareholder value
- Good reputation and publicity
- Improved perception of organization

# Benefits of ERM

Financial

Infrastructure

Reputational

Marketplace



- Commercial opportunities maximized
- Better marketplace presence
- Increased customer spend
- Higher rate of business successes
- Lower rate of business disaster

# ERM and business continuity



ERM is related to business continuity management. Risk assessment which is a part of the risk management process and the business impact analysis which acts as a foundation for business continuity planning are closely related. Risk management identifies the risks separately that could impact the organization's goals

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# Risk capacity



Risk capacity refers to the ability or capacity of the enterprise to take risk. It is not the same as the cumulative total of all the individual values at risk associated with the risk faced by the organization. This cumulative total is the risk exposure of the organization

# Risk appetite



Risk appetite refers to the value of the company's resources which the management is willing to put at risk. Unfortunately most organizations have not calculated the value that they should risk. They don't even calculate the actual value of resources which are at risk

# Nature of risk appetite



Disruptions can come to the organization through various forms of risks. These risks are associated with cost – cost of incidents that don't occur, cost of loss preventions and cost containment activities, which also includes cost of insurance

# MCQs

A manufacturing firm did not analyze the value of resources that it is going to put at risk. This firm did not even have exact data on actual resources which are at risk. This situation can be known and studied by

**Option 1:**

Risk Appetite

**Option 2:**

Risk Governance

**Option 3:**

Business continuity

**Option 4:**

Risk capacity

Click on any one of the options for the correct answer

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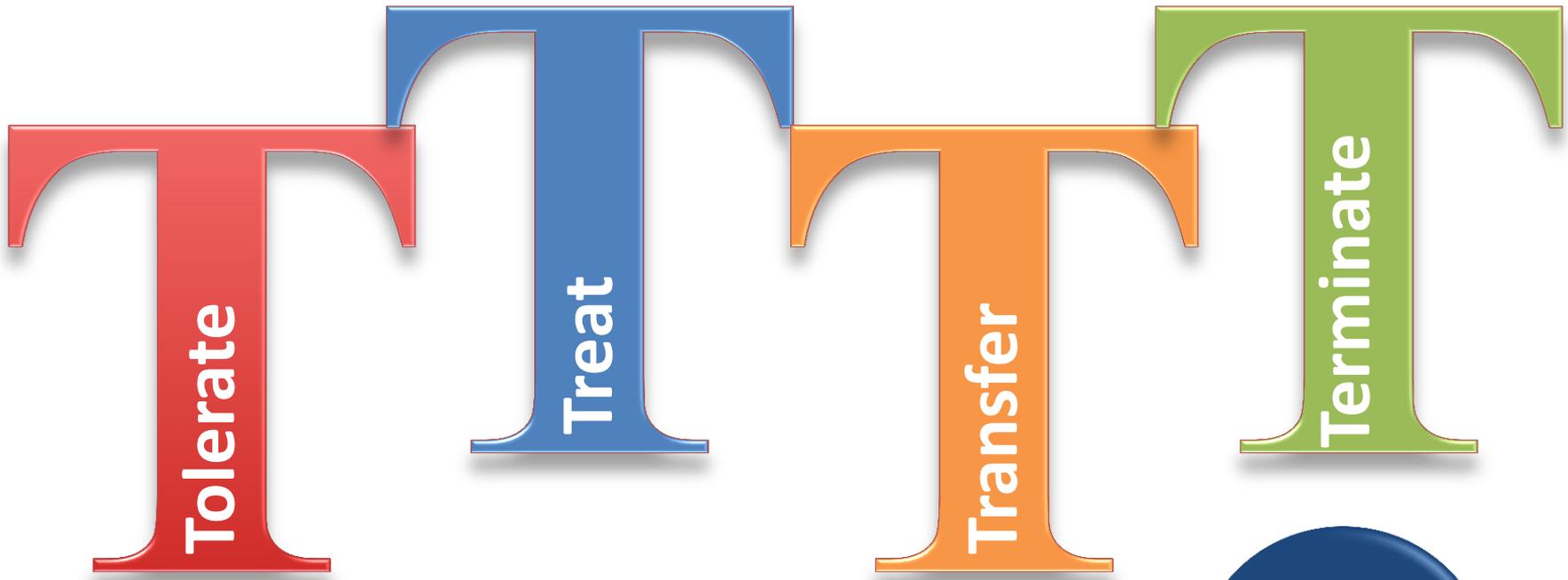
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# The 4Ts



[Click here  
to see each  
one in  
detail](#)

# The 4Ts

**T**  
Tolerate

The exposure is tolerable and no further action can be taken. There are certain limitations and you cannot do anything about that risk. The cost involved in taking action will not be proportionate to the benefits gained

# The 4Ts

**T**  
Treat

More number of risks are encountered by the organization in this way. When the organization is continuing with certain activity and if there is any risk, action is taken to confine the risk to an acceptable level

# The 4Ts

## T Transfer

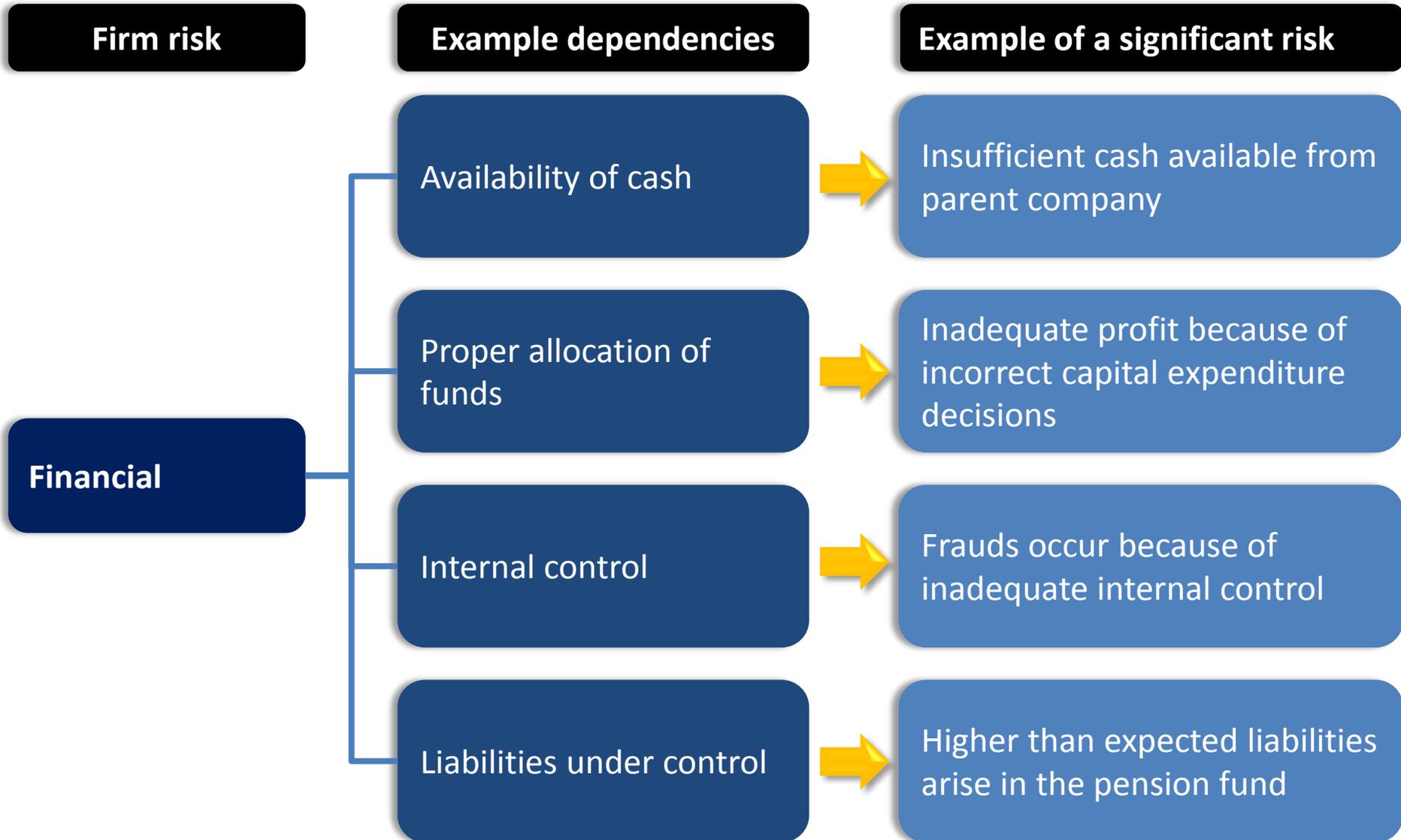
“Transfer” refers to the transfer of risk to a third party by paying something. This can be done by conventional insurance. This option is best suited for mitigating financial risks or risks of assets

# The 4Ts

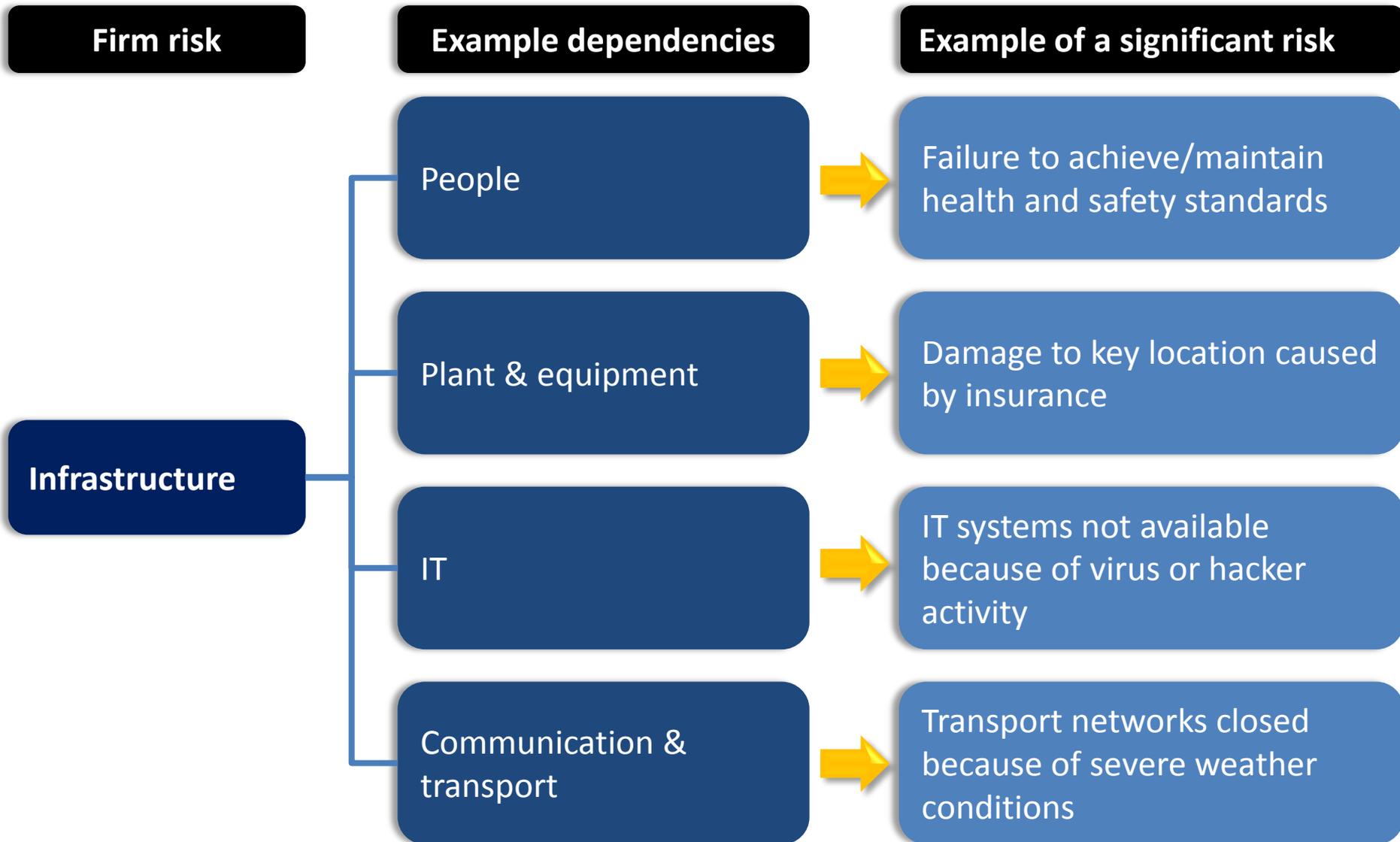
**T**  
Terminate

There are a few risks which can be treated to certain acceptable levels by terminating the activity. When compared to the private sector such termination of activity are limited in the government sector

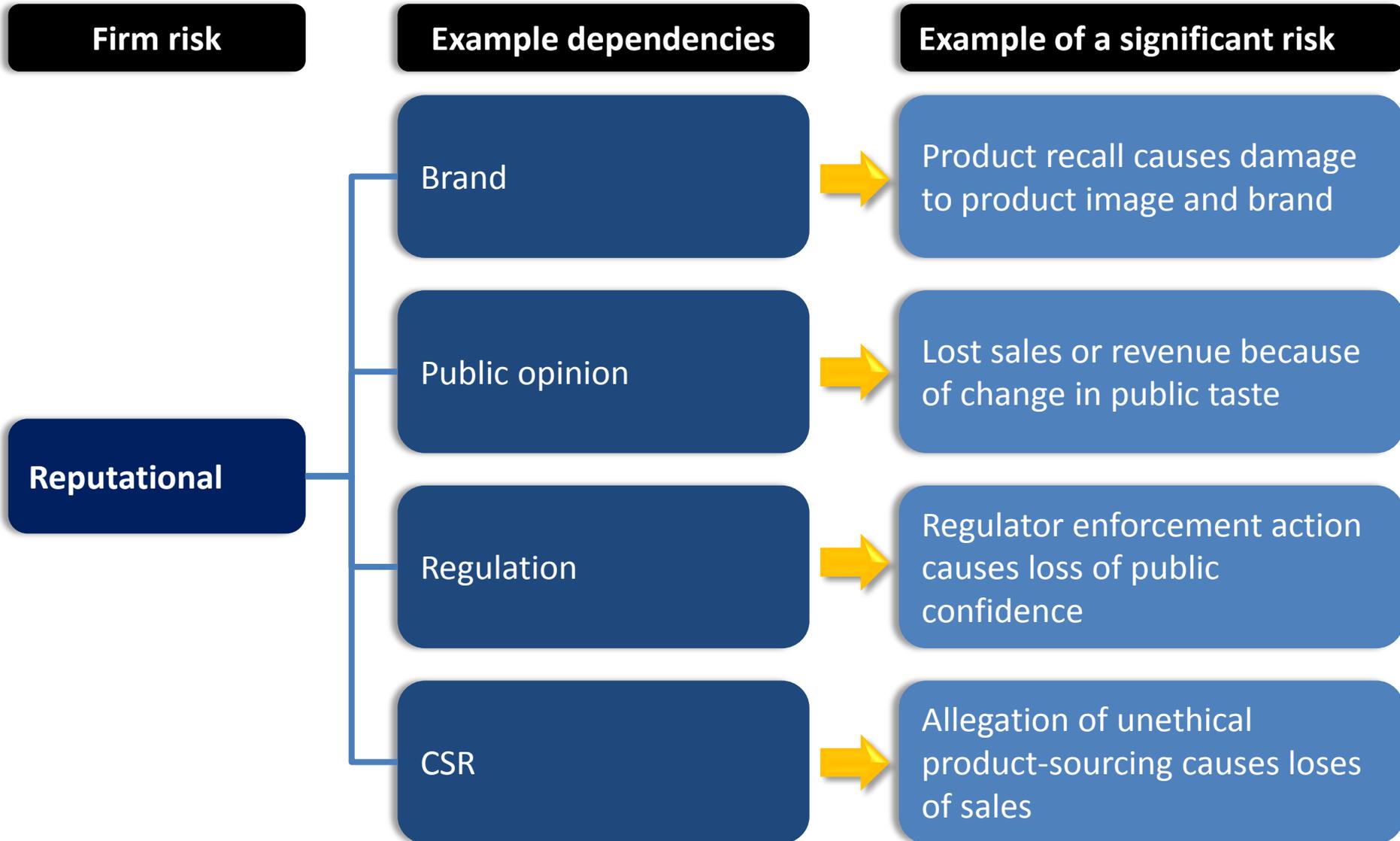
# Key dependencies and significant risks



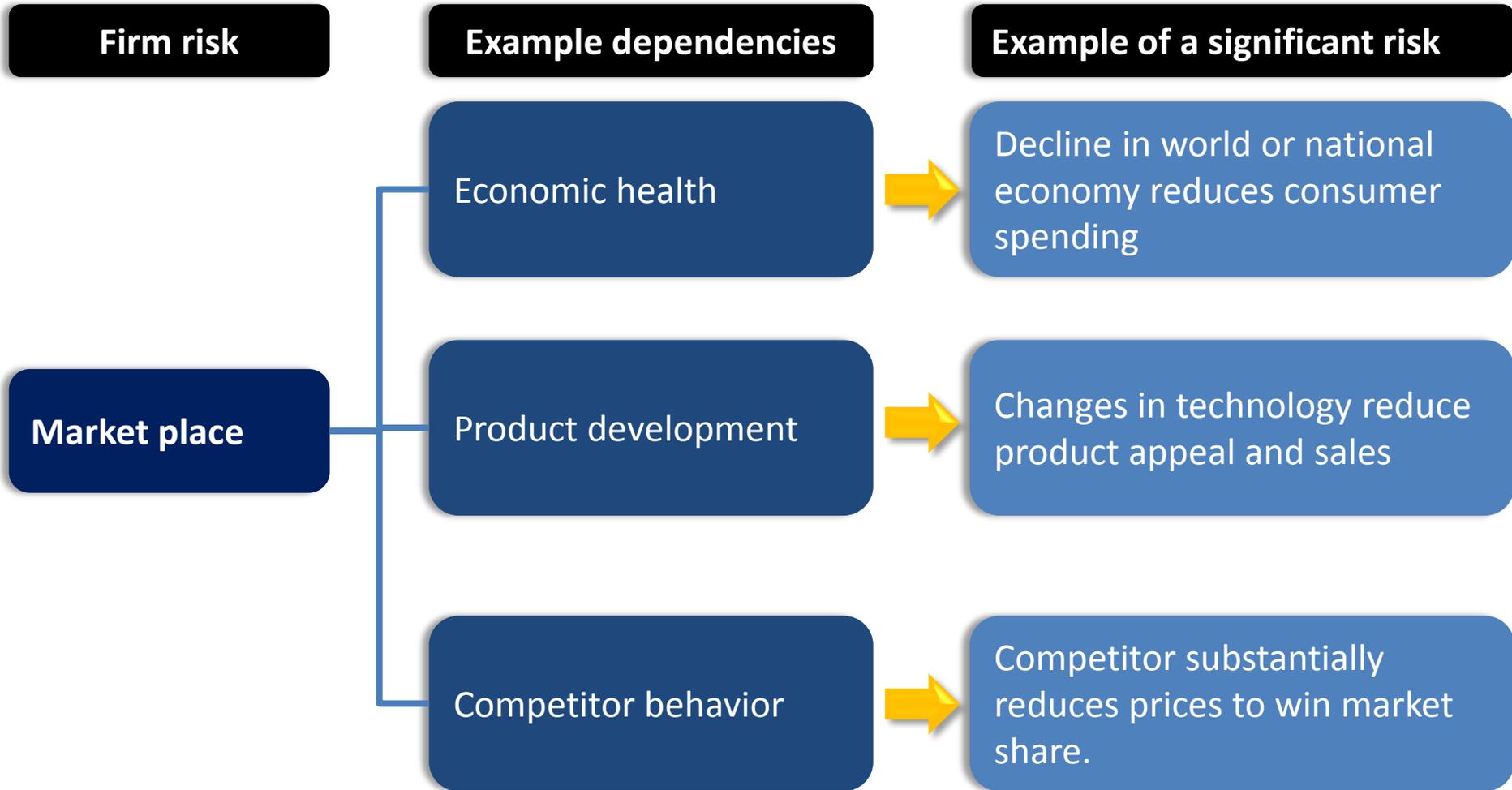
# Key dependencies and significant risks



# Key dependencies and significant risks



# Key dependencies and significant risks



# Risk acceptance



An organization needs to tolerate its risk which has crossed its comfort zone and risk appetite.

# Risk reduction



When the potential loss which is associated with a risk is low, the organization will be willing to treat the risk

# Risk transfer



Organization will like to transfer the risks when the probability of risk materializing is less but the potential is high. Insurance is a well established mechanism for transferring the financial consequences of losses arising out of hazard risks

# Risk avoid



When both the likelihood of risk and potential impact are high, the organization can consider avoiding or eliminating the risk

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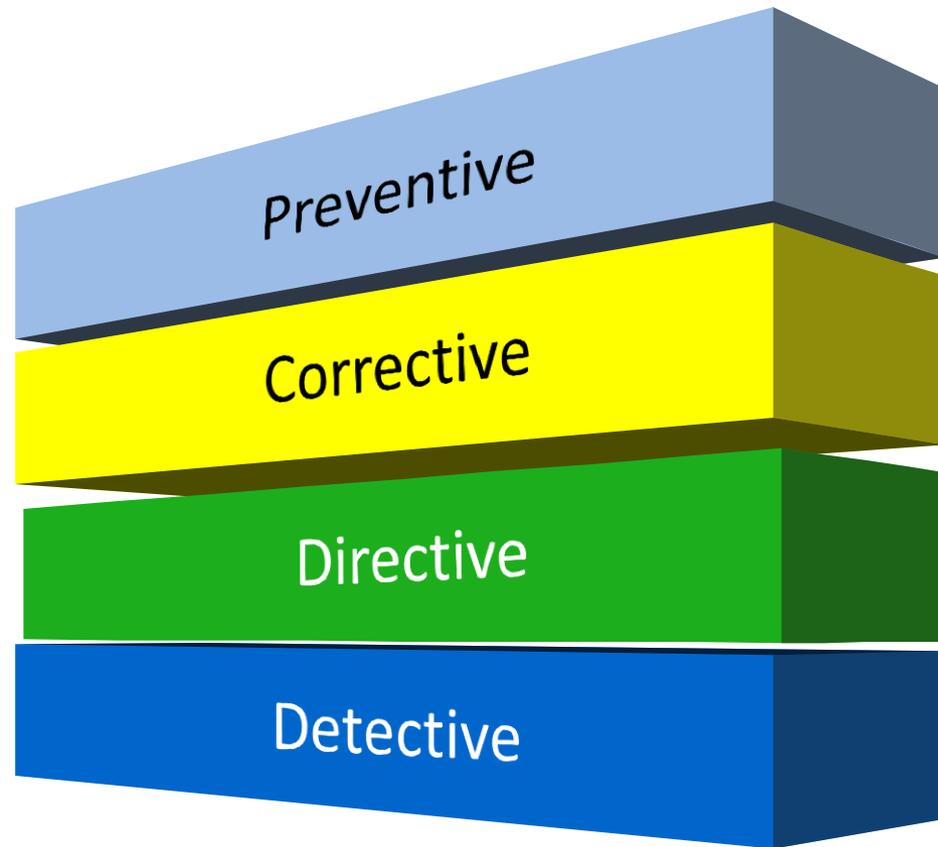
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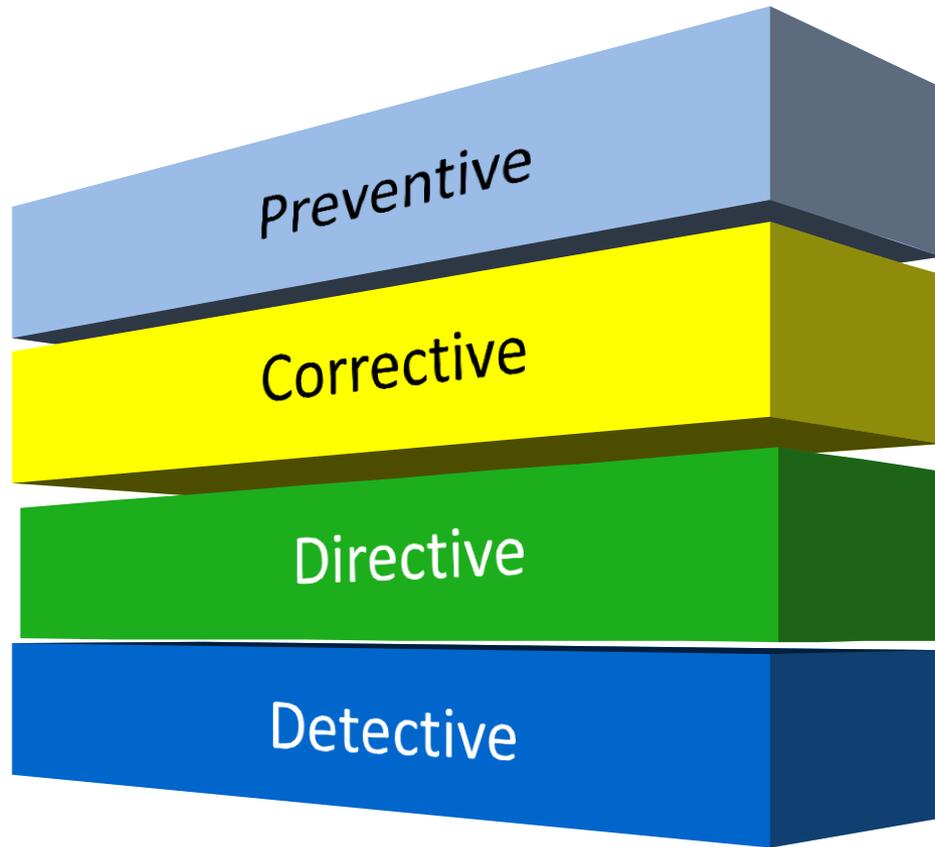
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# Types of control



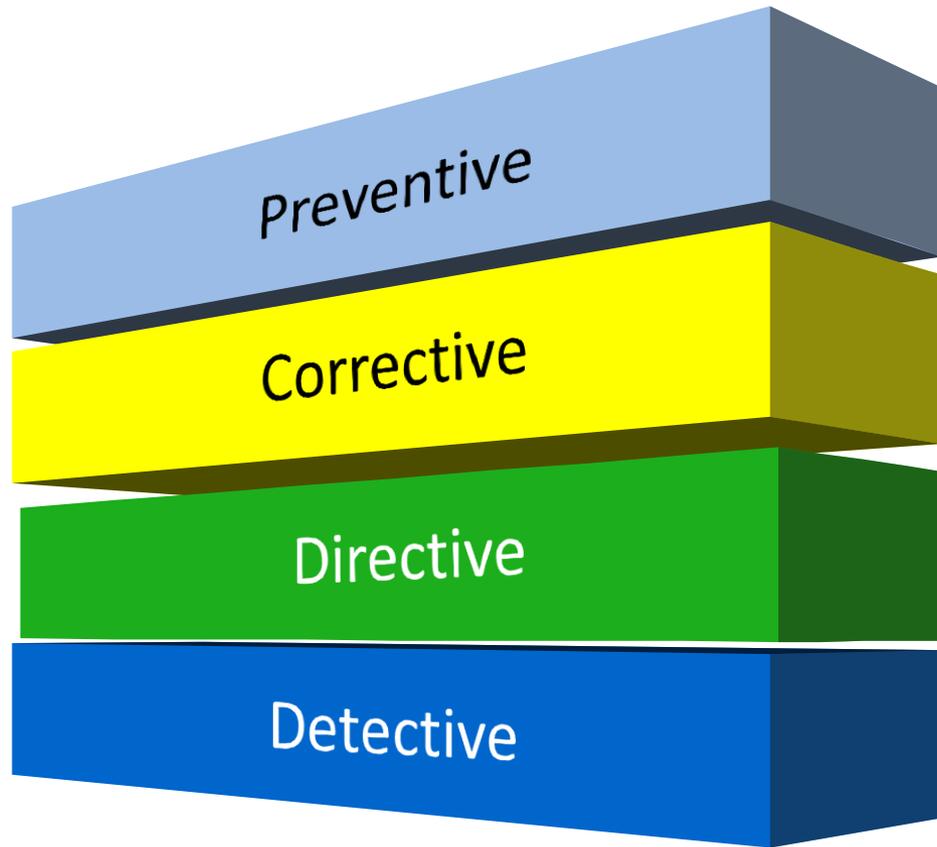
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# Types of control



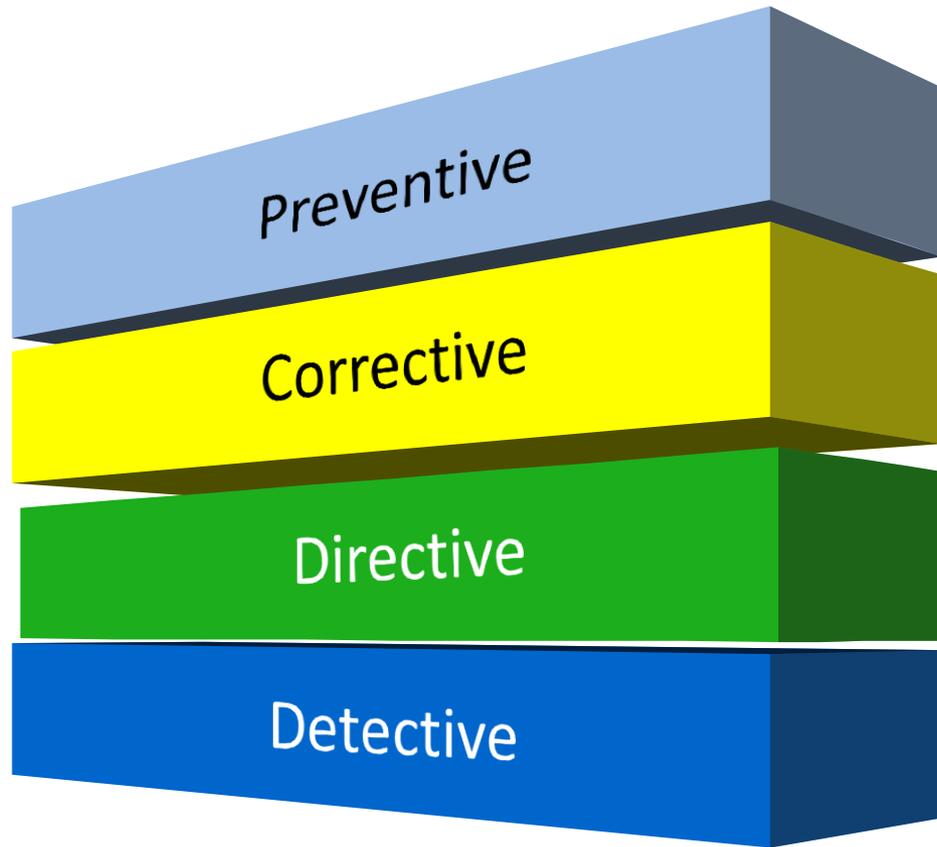
These controls are designed to limit the possibility of an undesirable outcome being realized

# Types of control



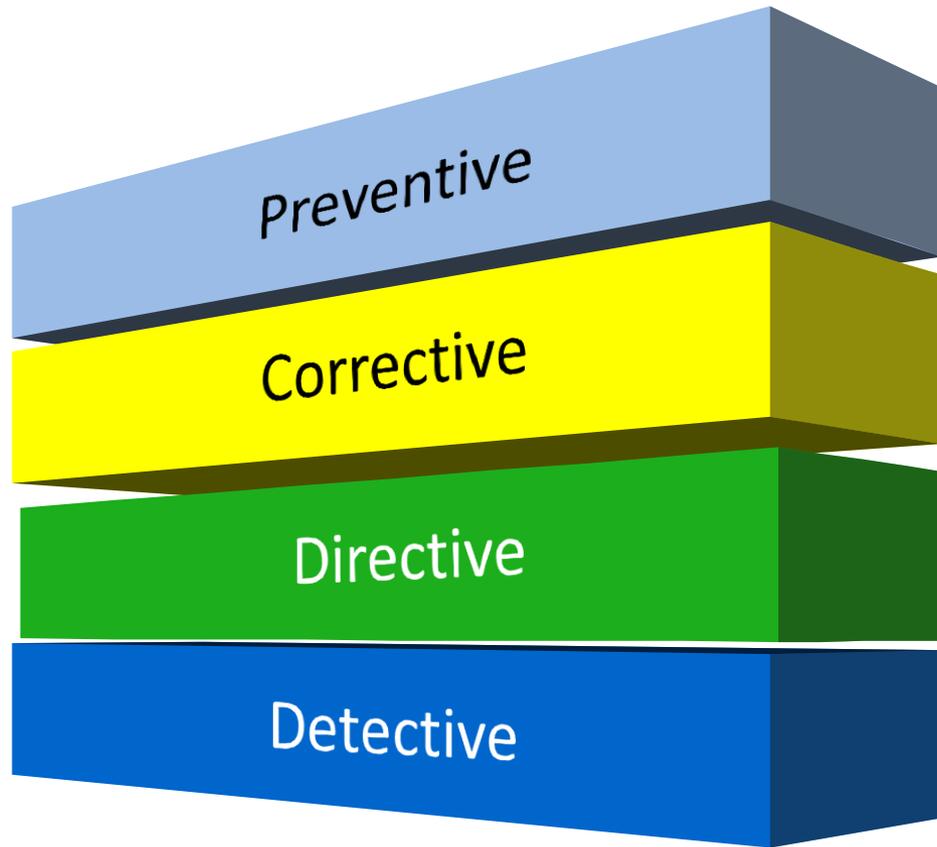
These controls are designed to limit the scope of loss and reduce any undesirable outcomes that have been realized

# Types of control



These controls are designed to ensure that a particular outcome is achieved

# Types of control



These controls are designed to identify the occasions of undesirable outcomes having been realized

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# Control of financial risk

## Fraud



“Fraud” is one of the key financial risks faced by all the organizations. Fraud is committed by employees, customers or distributors/suppliers. The organization itself can commit fraud by falsely reporting the results of the organization

# Minimizing fraud

Improve  
recruitments  
process

Reduce the number  
of assets worth  
stealing

Improve detection of  
fraud

Reduce the motive  
for fraud

Increase level of  
supervision

Improve  
record  
keeping



# Control of infrastructure risk



## Health and safety at work



[Click here to see few health and safety risks](#)

There are various health and safety risks faced by organizations. These can be: a case filed by an injured employee, prosecution by a regulatory authority and disruption in business caused by accidents and certain dangerous occurrences. Organizations have applied various health and safety tools and they are following various techniques to manage the risk. The involvement of health and safety specialists is vital for successful risk management initiatives

# Health and safety risks

1

2

3

4

5

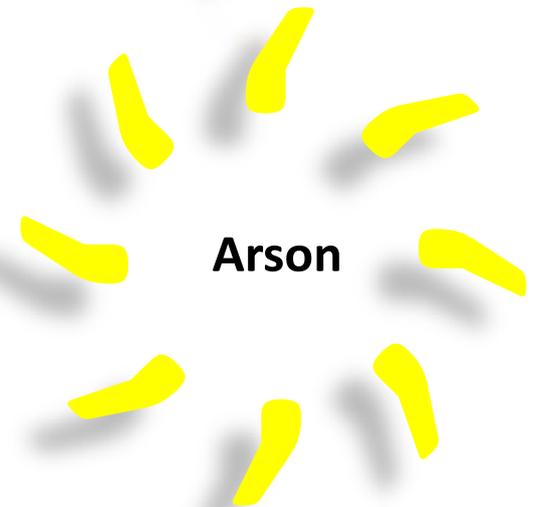
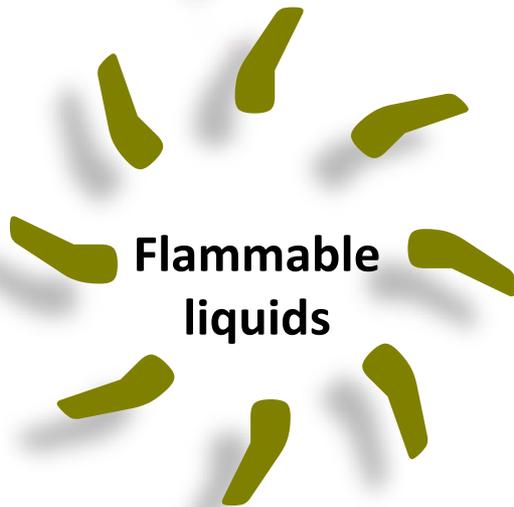
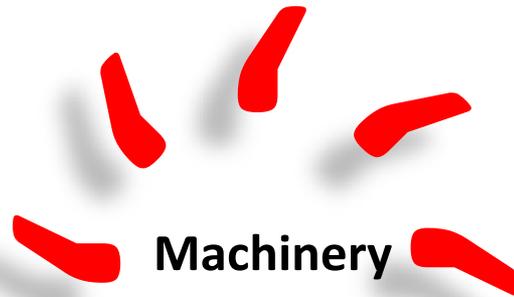
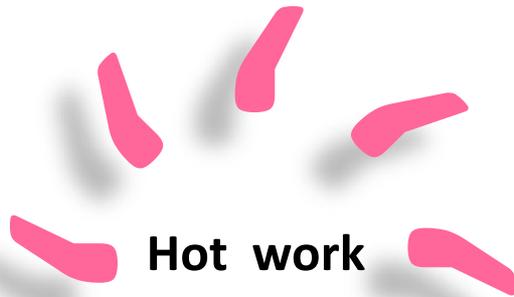
6

7

8

9

# Causes of fire at work

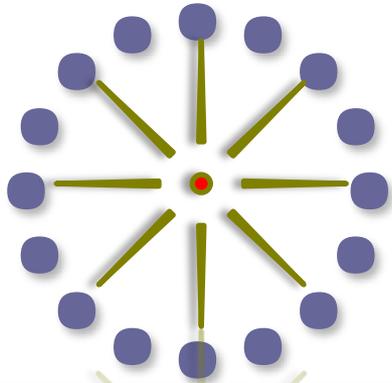


# IT security

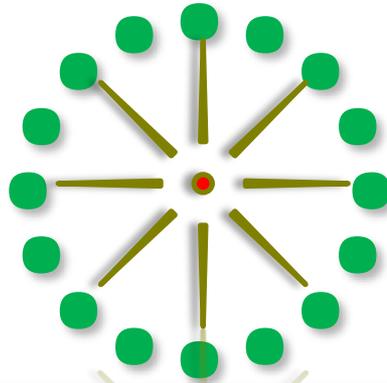


If the computer system fails, it will disturb the entire process of the business in an organization. Loss of certain important data can be a serious problem for an organization. This loss can occur because of hardware problems, software problems, human error or electrical failure

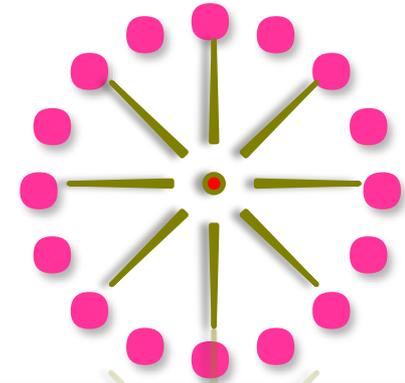
# Consequences of IT failure



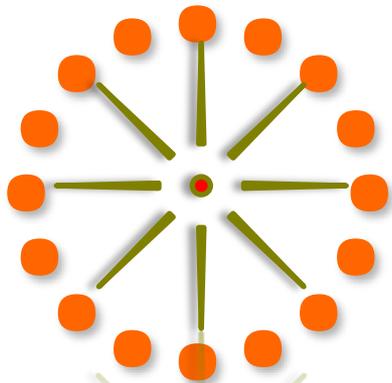
**Loss of business/customers**



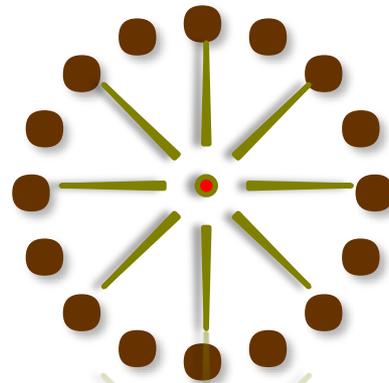
**Loss of goodwill**



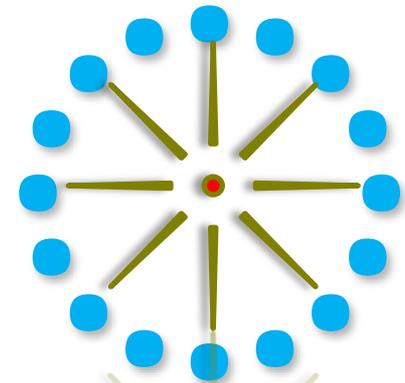
**Cash-flow problem**



**Reduced quality of service**



**Loss of data**



**Financial loss**

# HR risks

There are more risks when employing new staff and the utilization of human resources within an organization. These are:-

Employee engagement and termination

Legislative and regulatory compliance

Recruitment, retention and skills availability

Pension arrangement

Performance management

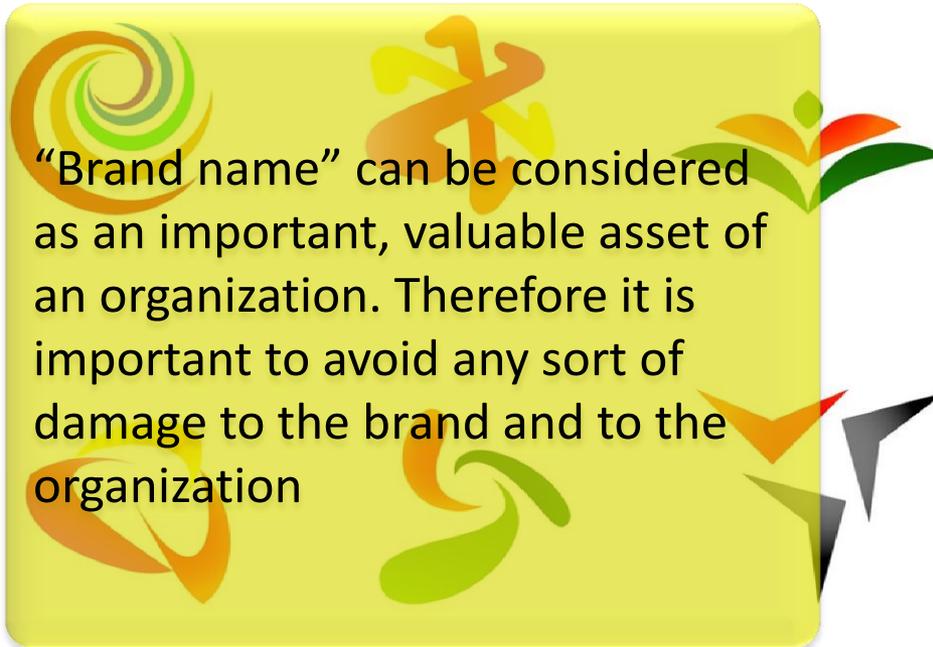
Absence management

Health and safety

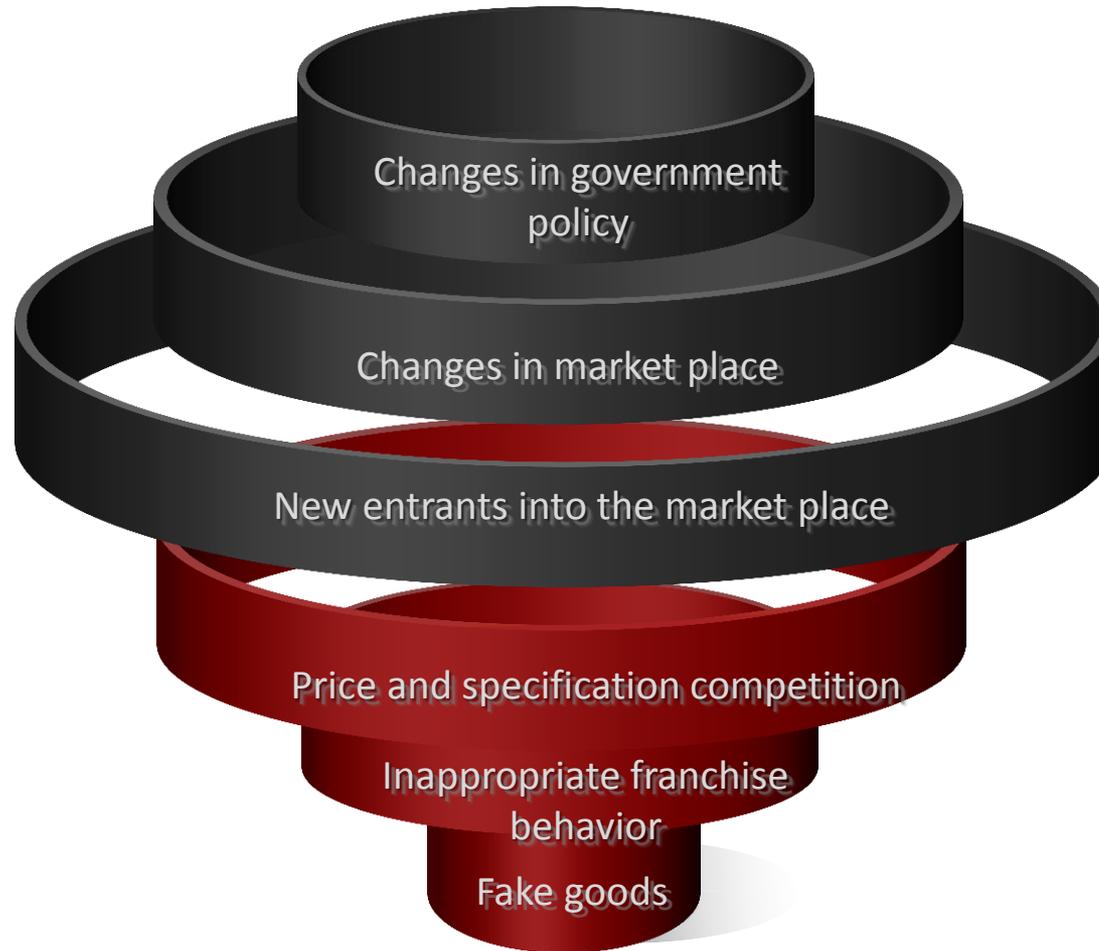
# Control of reputational risks



“Brand name” can be considered as an important, valuable asset of an organization. Therefore it is important to avoid any sort of damage to the brand and to the organization



# Causes for brand damage



# Environment

- There are a set of rules for those organizations which produce industrial waste. These rules detail the organization about how the waste should be treated and what arrangements should be made for discarding it
- There are also issues for those commercial organizations which do not produce industrial waste or by products. The main concern for these organizations is to minimize the commercial waste that they produce

# Control of market place

## Technology developments



It is important for the organization to meet customers' demands and expectations. The changes in technology makes this task challenging for the companies. The organization which supplies goods that are technology based face continuous challenges

# Regulatory risks



Regulatory risk is one of the most difficult risks faced by an organization. Compliances may appear simple and clear but there are certain complexities associated with the changes to regulations and different regulatory requirements in different countries

# MCQs

A software company declared annual profits at the end of a financial year, but the results displayed does not match with the external audit reports. By this we can understand that

**Option 1:**

Inaccurate auditing is done

**Option 2:**

Organization committed fraud

**Option 3:**

Organization facing financial risks

**Option 4:**

Organization is under recession

Click on any one of the options for the correct answer

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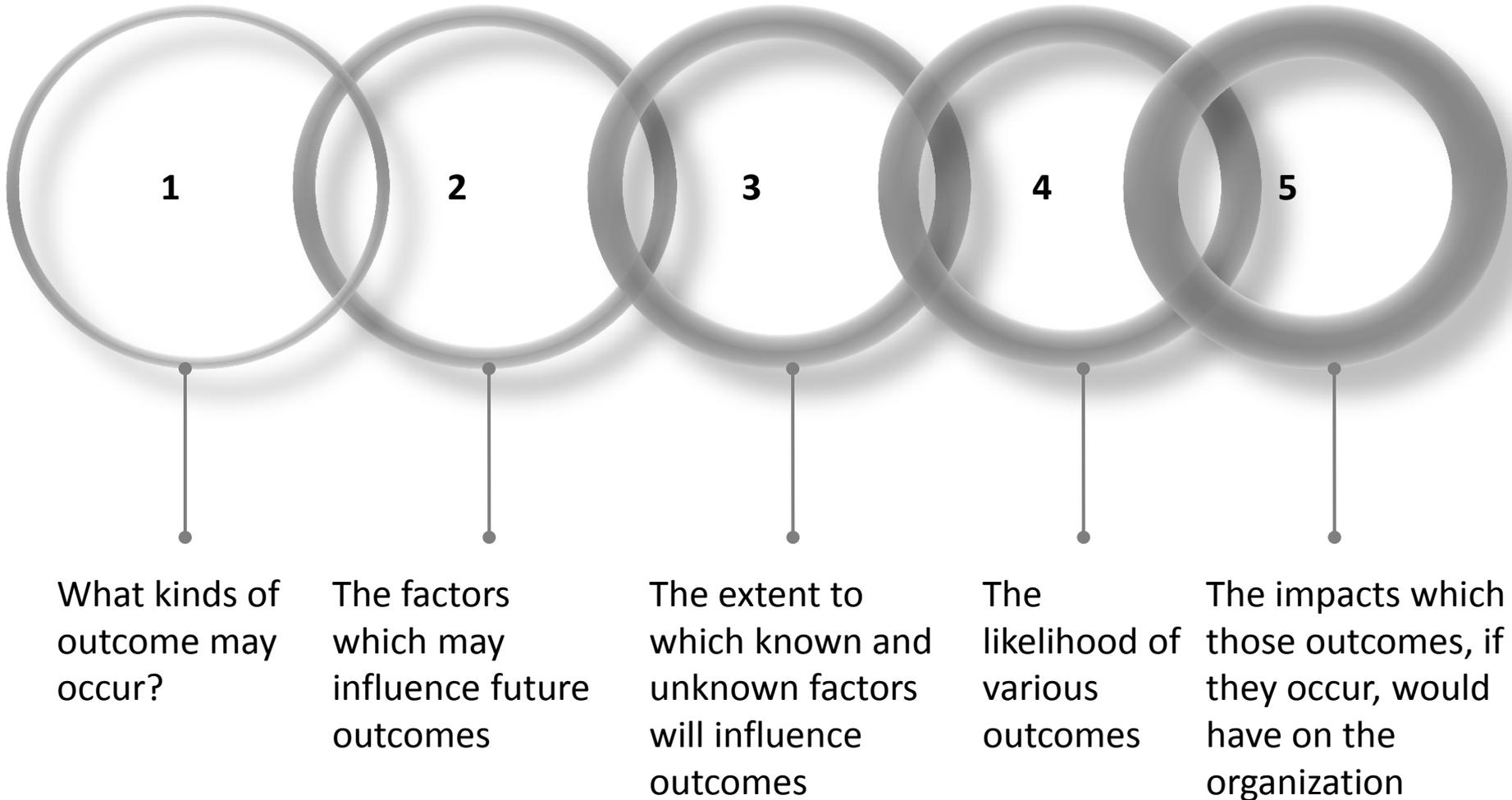
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# What is uncertainty?

Uncertainty means incomplete knowledge, i.e., a shortfall of knowledge or information about:-



# Kinds of uncertainty



Event  
uncertainty



Variability  
uncertainty



Assumptions  
uncertainty



Systemic  
uncertainty

Click here  
to see each  
one in  
detail

# Kinds of uncertainty

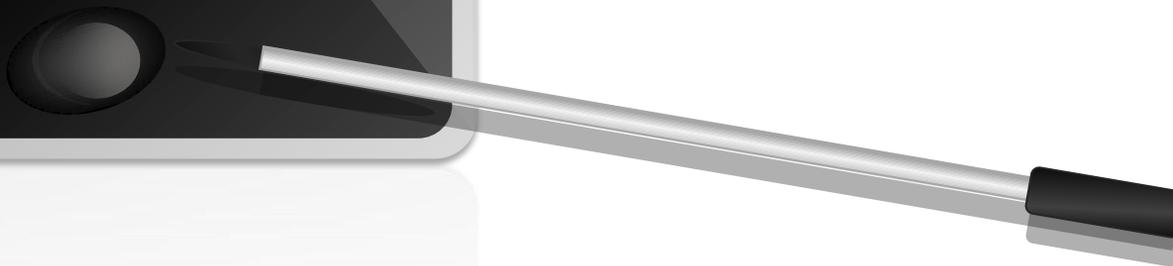
**Event uncertainty**

Variability uncertainty

Assumptions uncertainty

Systemic uncertainty

The occurrences which are good or bad and which may or may not materialize



# Kinds of uncertainty

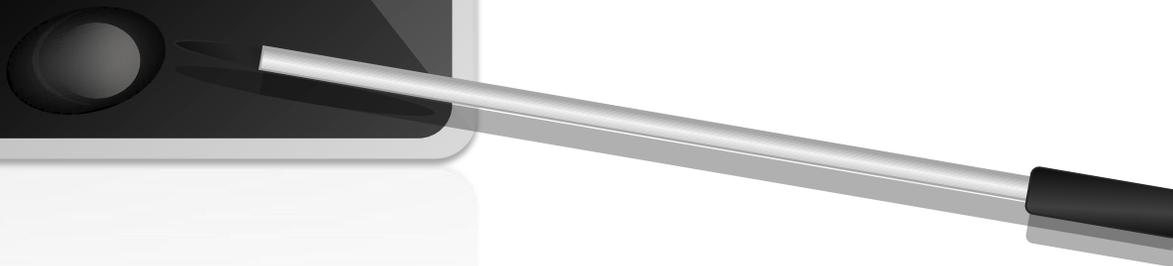
Event uncertainty

**Variability uncertainty**

Assumptions uncertainty

Systemic uncertainty

Events that are expected to happen up to a certain extent and cannot be accurate



# Kinds of uncertainty

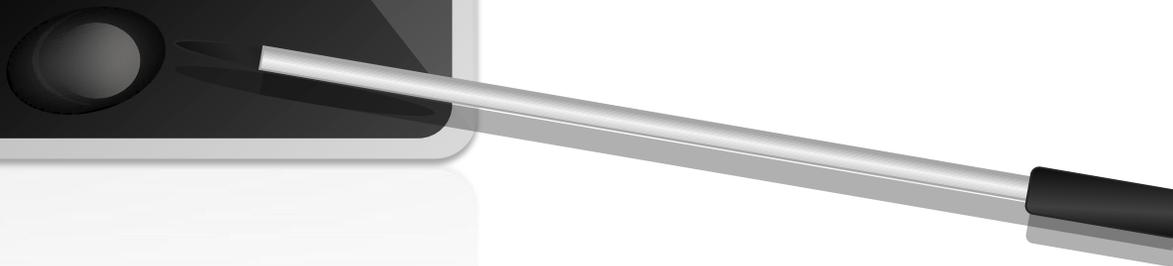
Event uncertainty

Variability uncertainty

**Assumptions uncertainty**

Systemic uncertainty

The assumptions which are made about certain happenings may happen or may not happen. Certain sources of uncertainty are dependent on other sources.



# Kinds of uncertainty

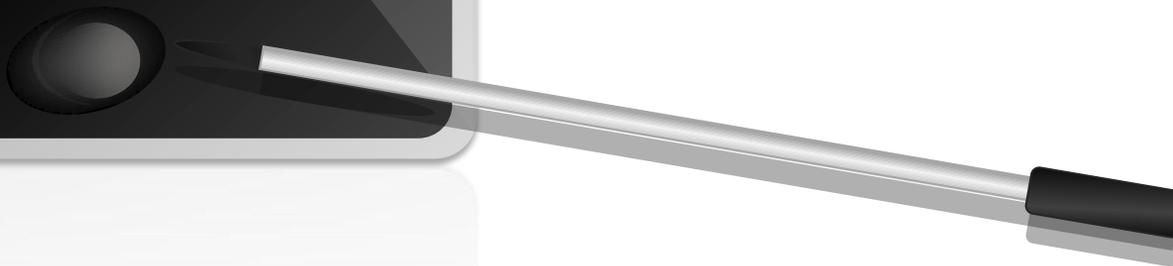
Event uncertainty

Variability uncertainty

Assumptions uncertainty

**Systemic uncertainty**

Relationships, which are usually uncertain by itself, between different sources of uncertainty, including “knock-on effects”

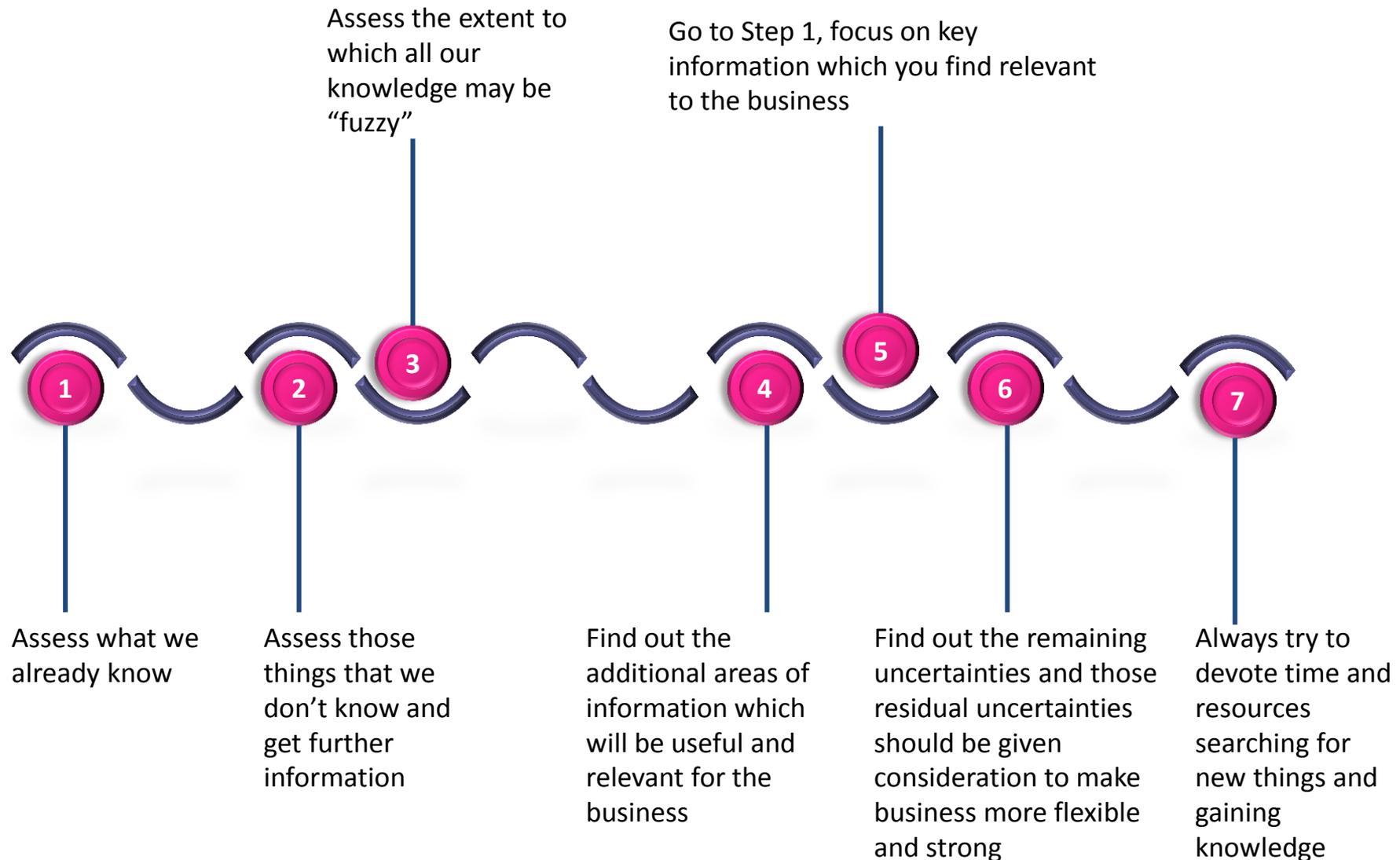


# Approach to uncertainty management



Being proactive is one of the most important and best ways to manage uncertainty. In uncertain areas where we don't have knowledge, we have to enhance ourselves. In other areas of uncertainty we have to slightly change the business strategy to make business more flexible and achieve its objectives

# Steps in uncertainty management



# 10 Ways to reduce uncertainty

1

Definition and acquisition of data which are known to be required

2

Research, including a study of similar situations, present or past, in the same or other organizations

3

Consultations with experts, including specialists in visualizing possible world futures

4

Brainstorming and workshops

5

Concept mapping for the organization as a whole to identify key risk areas

# 10 Ways to reduce uncertainty

6

Pattern recognition as events occur

7

Consultations with stakeholders affected third parties, about their views on the business and on likely future developments

8

Making a deeper analysis of the business variability and its underlying causes

9

Model building, scenario analysis and stress testing

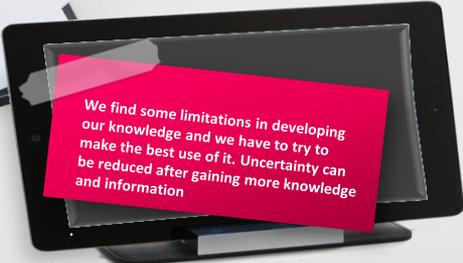
10

Financial restructuring

# New knowledge



**We find some limitations in developing our knowledge and we have to try to make the best use of it. Uncertainty can be reduced after gaining more knowledge and information**



**We find some limitations in developing our knowledge and we have to try to make the best use of it. Uncertainty can be reduced after gaining more knowledge and information**

# New thinking

# 1

Focus on managing or responding to change

Follow a holistic approach to risk management, covering strategic, project and operational risks and the extra corporate dimension which links them all together

# 2

# New thinking

# 3

Adopt a positive approach which focuses on opportunities and seeks the upsides as well as downsides of threats

Be highly flexible in our thinking, behavior, organization, processes and systems

# 4

# New thinking

# 5

Seek to make the business as robust as possible to withstand threats which are at present unknown (or of unprecedented force)

Ensure that there is a sufficiently wide and creative base of knowledge focusing on future possible changes and on the steps which need to be taken in advance to provide the best chance of managing them successfully

# 6

# MCQs

For top management team in a company, lack of proper information or incomplete knowledge about their organization or departments will mainly lead to:

**Option 1:**

Inefficient risk management

**Option 2:**

Limited growth of the company

**Option 3:**

Inefficient control

**Option 4:**

Uncertainty

Click on any one of the options for the correct answer

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# Why risk governance matters?



The main reason for failure of certain organizations is lack of proper risk governance systems in place. A good risk governance system is vital to control risk and to ensure whether these systems are adequate and being operated properly

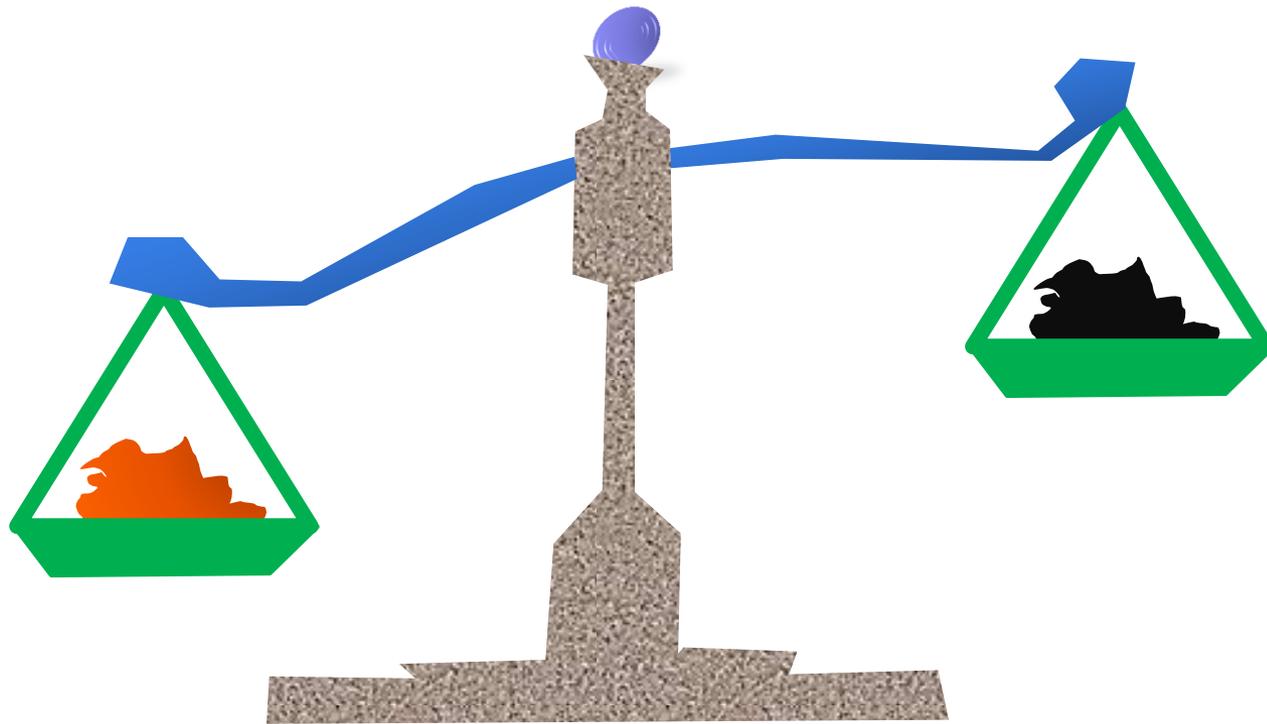
# Controlling staff risks



There should be an appropriate system to reduce the staff risk as it is one of the greatest sources of downside risk in an organization. One of the important aspects of risk governance is to ensure that people working in an organization have proper ethics and good attitude towards risk. There should be a good remuneration to reward them which will automatically bring success to the organization in the medium and long term



# System of checks and balances



There should be proper checks and balances to ensure that no individual takes excessive risk on behalf of the organization. All the employees including the CEO should be aware of their limits and authority and should act within these limits

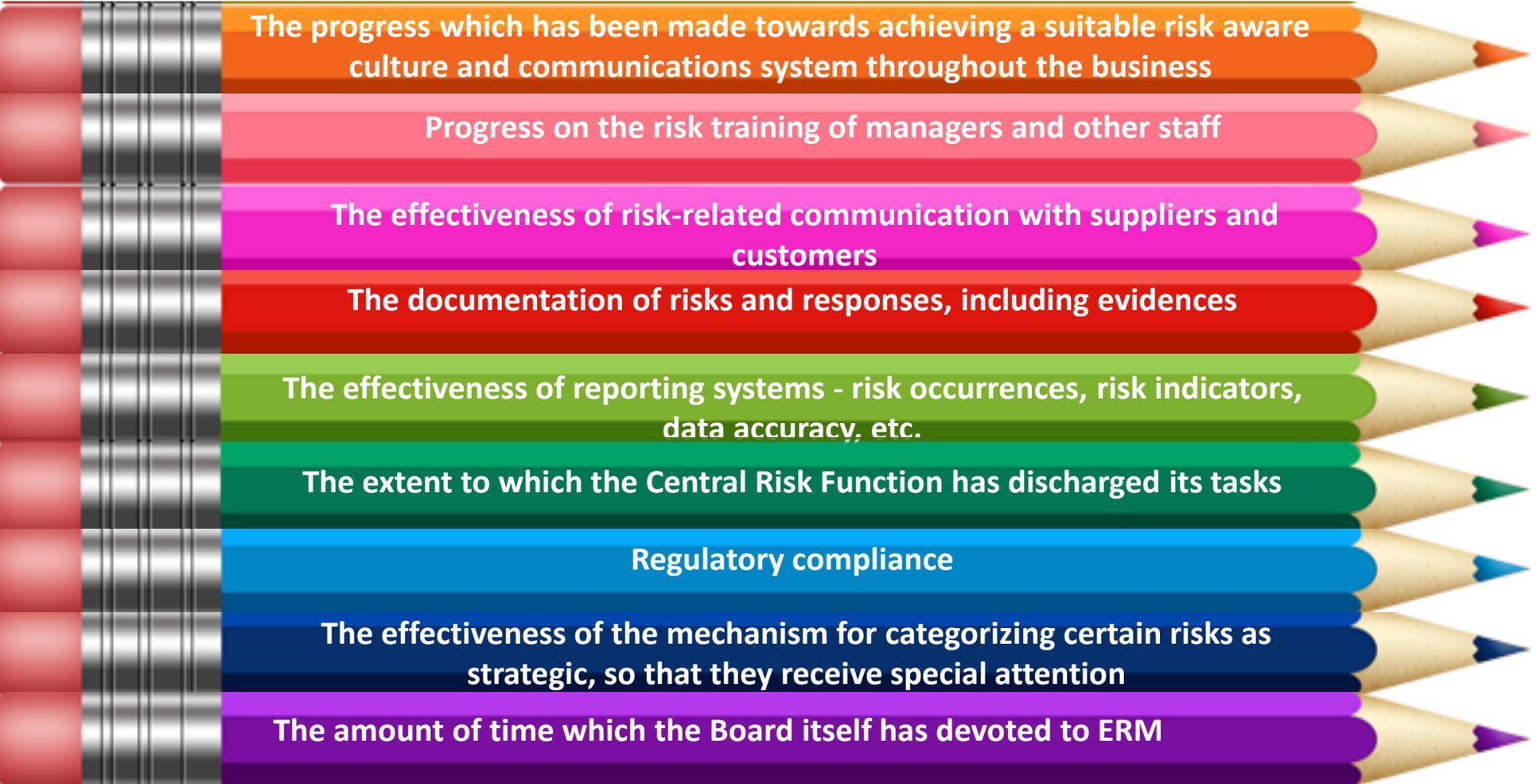
# Policies and procedures



It is essential to put in place appropriate processes and procedures to ensure that there is adequate monitoring of changes in the risk profile, to gain positive assurance about the extent to which all risks are being properly managed, to monitor how the ERM system is improving, and to identify further actions which may be desirable

# Audit of risk management process

The audit result must be submitted to the Board and should contain the following:-



**The progress which has been made towards achieving a suitable risk aware culture and communications system throughout the business**

**Progress on the risk training of managers and other staff**

**The effectiveness of risk-related communication with suppliers and customers**

**The documentation of risks and responses, including evidences**

**The effectiveness of reporting systems - risk occurrences, risk indicators, data accuracy, etc.**

**The extent to which the Central Risk Function has discharged its tasks**

**Regulatory compliance**

**The effectiveness of the mechanism for categorizing certain risks as strategic, so that they receive special attention**

**The amount of time which the Board itself has devoted to ERM**

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# Importance of Insurance

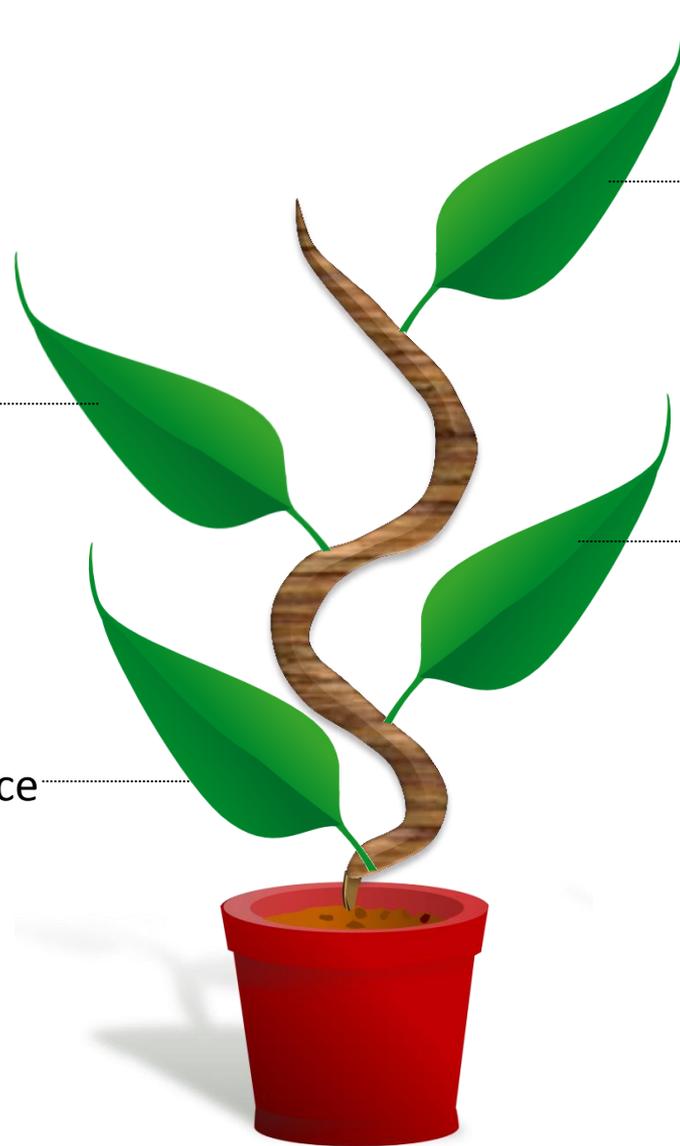
The important principle of insurance is that the insurance companies are contracted to pay a certain sum of money in the event of defined circumstances arising or when defined events occur

Insurance contracts can require the insurance companies to pay for losses suffered directly by the insured. This is first party insurance

Other types of insurance contract the insurance companies to pay compensation to other parties if they have been injured or suffer losses because of the activities of the insured

This is third-party insurance.

# Advantages



Insurance can provide benefits to insured, because the loss may be greater than the insurance premium

An advantage of insurance is that it provides indemnity against an unexpected loss

Insurance can provide access to specialist services as part of insurance premium e.g., advice on loss control

Insurance can reduce uncertainty regarding hazard events that may occur

# Disadvantages



The delays often experienced in obtaining settlement of an insurance claim

There may be disputes regarding the extent of the cover that has been purchased and the exact terms and conditions of the insurance contract

# Reasons for buying insurance

A blue shopping bag with two yellow handles, casting a soft shadow on the white background.

Legal and  
contractual  
obligations

A green shopping bag with two orange handles, casting a soft shadow on the white background.

Balance  
sheet/profit and  
loss protection

A yellow shopping bag with two pink handles, casting a soft shadow on the white background.

Employee  
benefit/  
protection of  
employee  
assets

# Aspects to be considered

When booking at the purchase of insurance cover, the organization will need to consider the following 6 aspects:-



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# Nature of internal control



Internal control occupies an important position in management of risks



Internal control is related to the process and methods to be followed by the organization to see that it meets its objectives

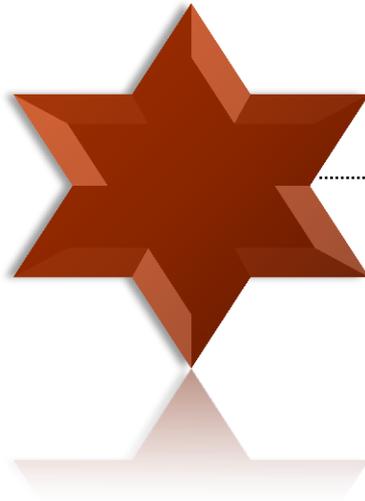


Internal controls can be defined as actions taken by the management to plan and organize certain activities which help the organization in achieving its goals

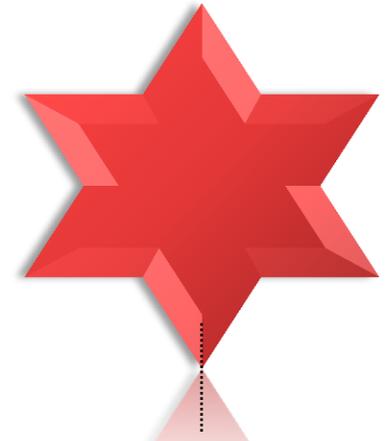
# Designing effective internal controls—the arrangement



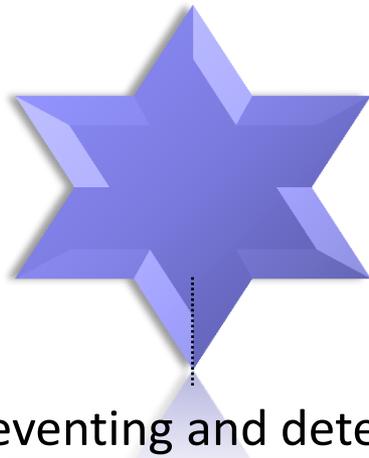
Maintenance of reliable system



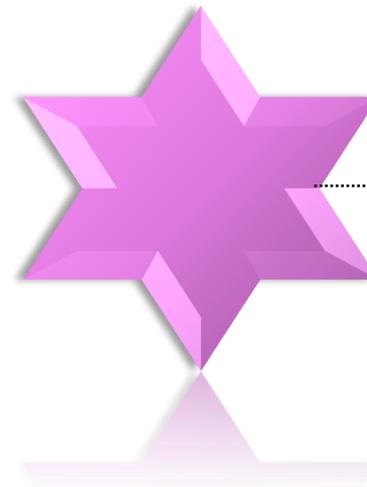
Timely preparation  
of reliable  
information



Optimum use of  
resources



Preventing and detecting  
fraud and error



Safeguarding  
of assets

# Purpose of internal control

The primary purpose of internal control activities is to help the organization achieve its objectives. Typically, internal controls have the following purposes

Safeguard and protect the assets of the organization

Ensure the keeping of accurate records

Promote operational effectiveness and efficiency

Adhere to policies and procedures, including control procedures

Enhance reliability of internal and external reporting

Ensure compliance with laws and regulations

Safeguard the interests of stakeholders/shareholders

# Control environment

The Canadian Institute of Chartered Accountants (CICA) created a means to measure the quality of the control environment within an organization. It is referred as CoCo, which means, criteria of control framework.

The frame work:

## Purpose

A Sense of direction  
what are we for you?

## Commitment

A Sense of identity and values  
Do we want to do good job?

## Control environment

Click here  
to see each  
one in  
detail

## Action

Monitoring and hearing  
A Sense of evolution  
What progress? What next?

## Capability

A sense of competence  
What action do we need to take?

# Components of the CoCo framework

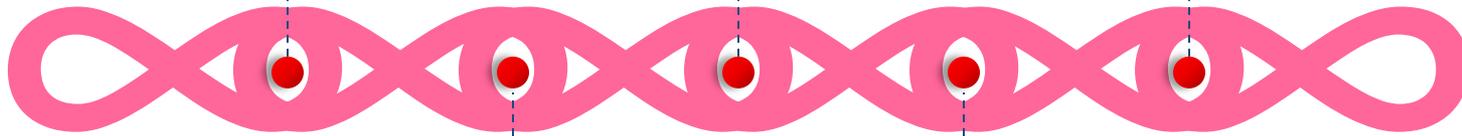


## Purpose

Objectives should be established and communicated

Policies should be established, communicated and practiced

Plans should include measurable performance targets and indicators



Significant internal and external risks should be identified and assessed

Plans should be established and communicated

# Components of the CoCo framework



## Commitment

Mutual trust should be fostered to support the flow of information

Shared ethical values should be established, communicated and practiced

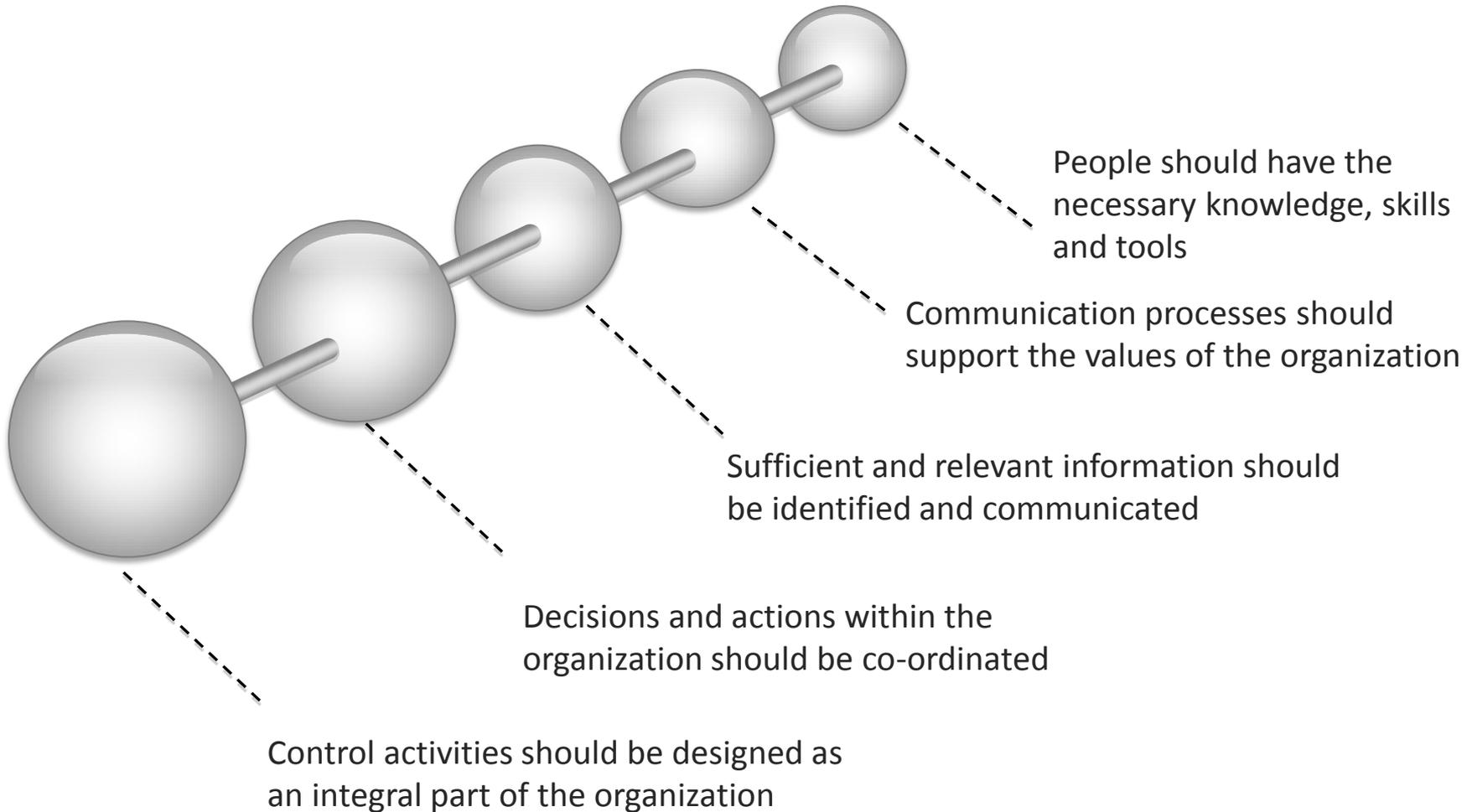
Authority, responsibility and accountability should be clearly defined

HR policies should be consistent with ethical values

# Components of the CoCo framework



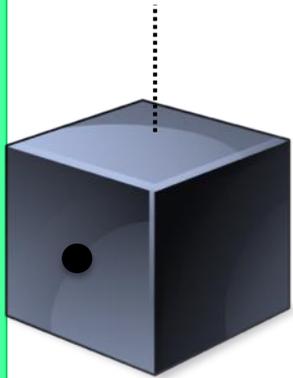
## Capability



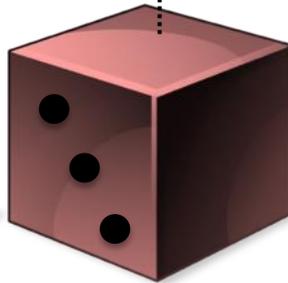
# Components of the CoCo framework

## Monitoring and learning

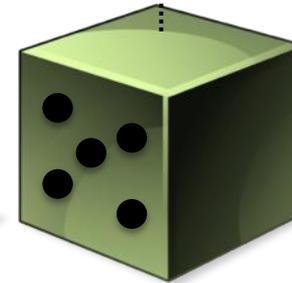
Environment should be monitored to re-evaluate controls



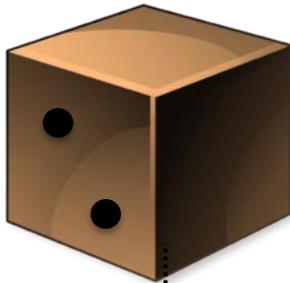
Assumptions behind objectives should be periodically challenged



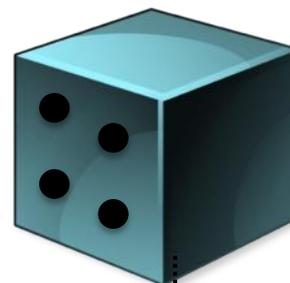
Procedures should be established to ensure appropriate actions occur



Performance should be monitored against the targets



Information needs and related information systems should be reassessed



Management should periodically assess the effectiveness of control



# Evaluating the control environment

Leadership

Planning

Customer focus

People focus

Process management

Partnership

Business performance

Continuous improvement

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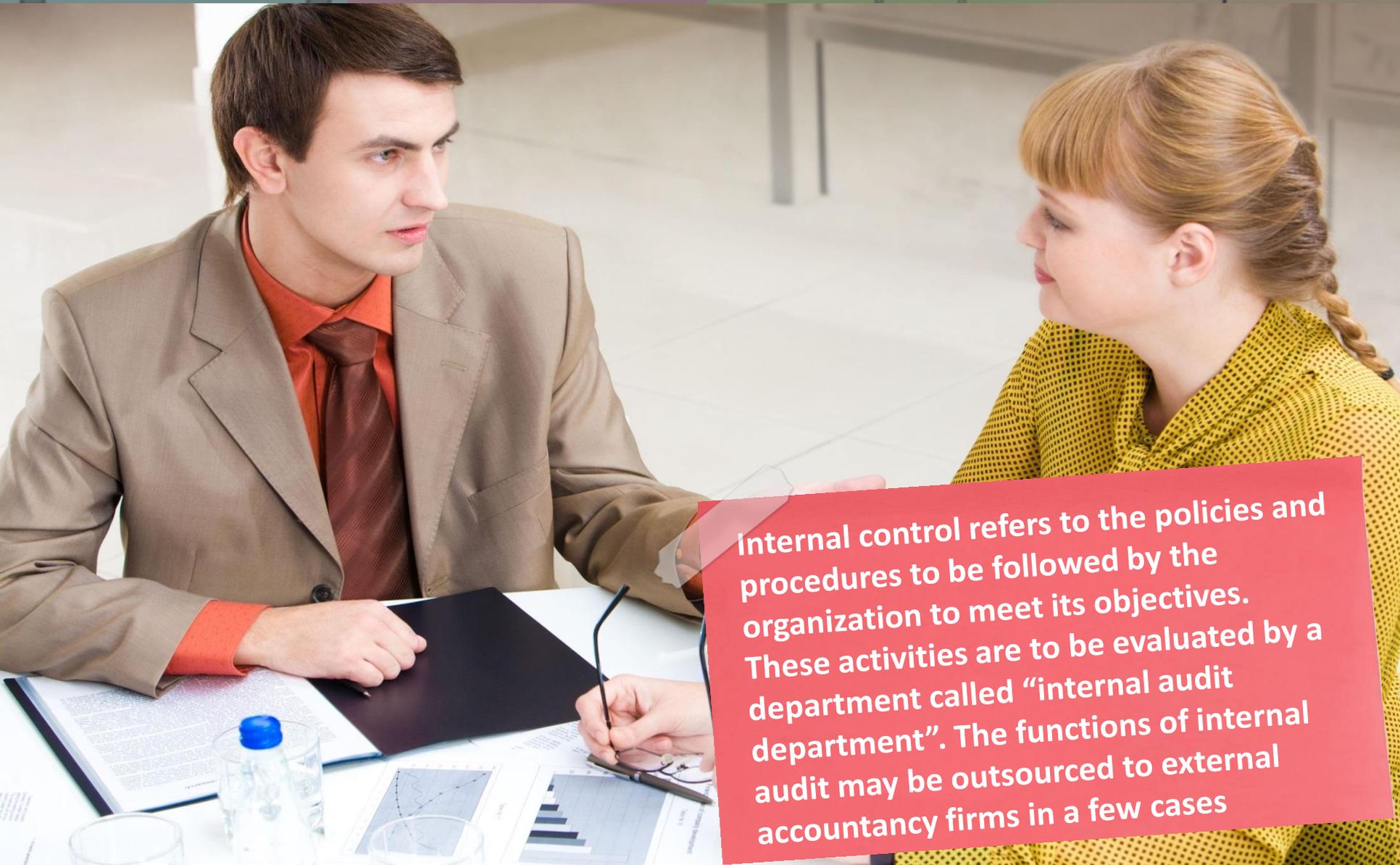
Risk assurance techniques

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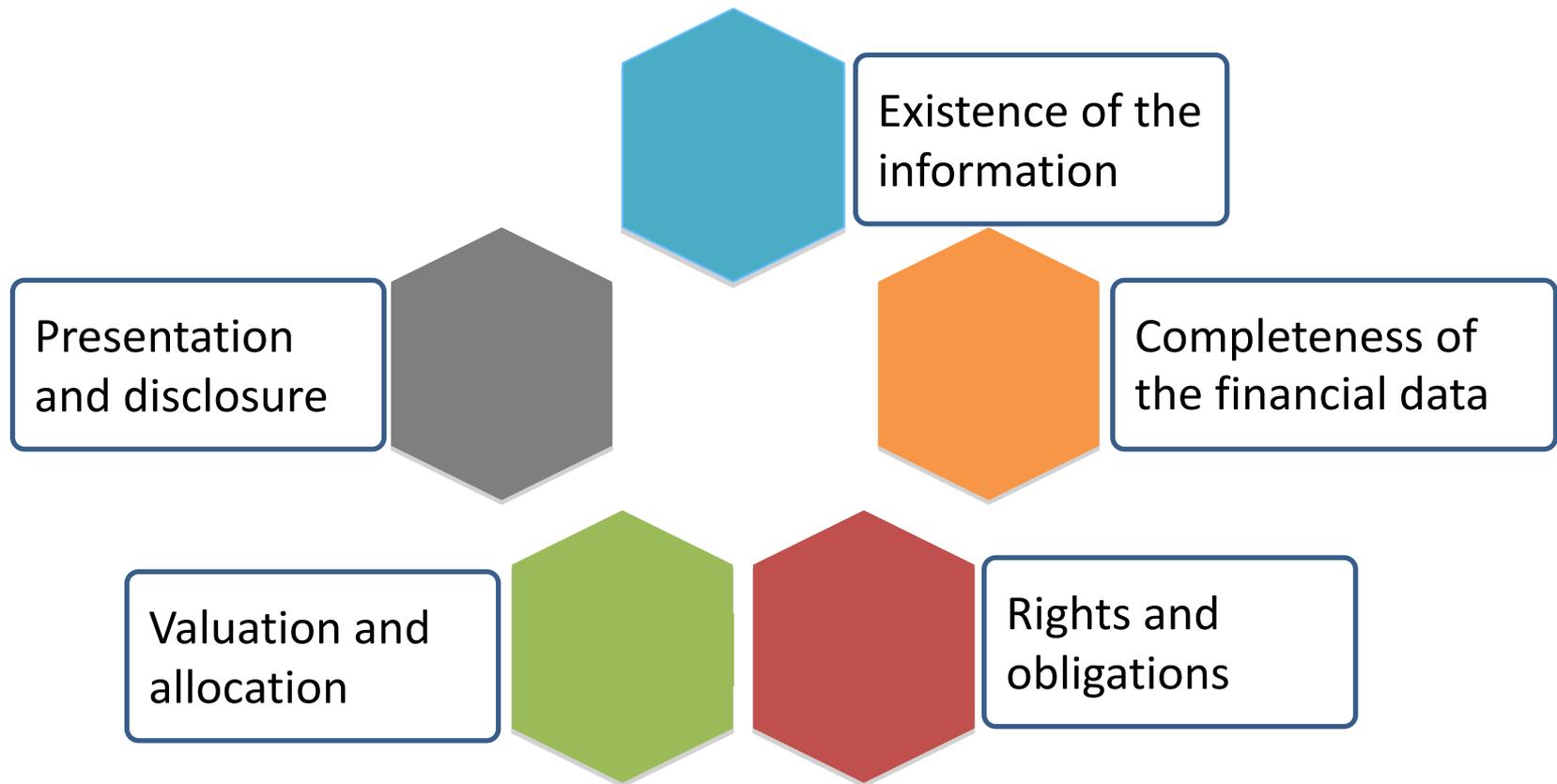
# Scope of internal audit



Internal control refers to the policies and procedures to be followed by the organization to meet its objectives. These activities are to be evaluated by a department called "internal audit department". The functions of internal audit may be outsourced to external accountancy firms in a few cases

# Presentation of financial data

The presentation of financial data relies on five basic financial statement assertions which are related to:



# Role of internal audit in ERM



**Core internal  
audit roles in  
regard to ERM**



**Legitimate internal  
audit roles with  
safeguards**



**Roles internal  
audit should not  
undertake**

**Click here  
to see each  
one in  
detail**

# Role of internal audit in ERM



## **Core internal audit roles in regard to ERM:**

- Reviewing the management of key risks
- Evaluating the reporting of key risks
- Evaluating risk management process
- Giving assurance that risks are correctly evaluated
- Giving assurance on the risk management processes

# Role of internal audit in ERM



## **Legitimate internal audit roles with safeguards:**

- Facilitating identification and evaluation of risks
- Coaching management in responding to risks
- Coordinating ERM activities
- Consolidated reporting of risks
- Maintaining and developing ERM framework
- Championing establishment of ERM
- Developing ERM strategy for board approval

# Role of internal audit in ERM



## **Roles internal audit should not undertake:**

- Setting the risk appetite
- Imposing risk management processes
- Management assurance on risks
- Taking decisions on risk responses
- Implementing risk responses on management's behalf
- Accountability for risk management

# Management responsibilities



[Click here  
to see each  
one in  
detail](#)

# Allocation of responsibilities



## Internal audit activities:

- Giving assurance on risk management processes
- Giving assurance that risks are correctly evaluated
- Evaluating risk management processes
- Evaluating the reporting of key risks
- Reviewing the management of key risks

# Allocation of responsibilities



## **Risk management support:**

- Facilitating identification and evaluation of risks
- Coaching management in responding to risks
- Coordinating ERM activities
- Consolidated reporting on risks
- Maintaining and develop ERM framework
- Championing establishment of ERM
- Developing ERM strategy for board approval

# Allocation of responsibilities



## Management responsibilities:

- Setting the risk appetite
- Imposing risk management processes
- Management assurance on risks
- Taking decisions on risk responses
- Implementing risk responses on behalf of management
- Accountability for risk management

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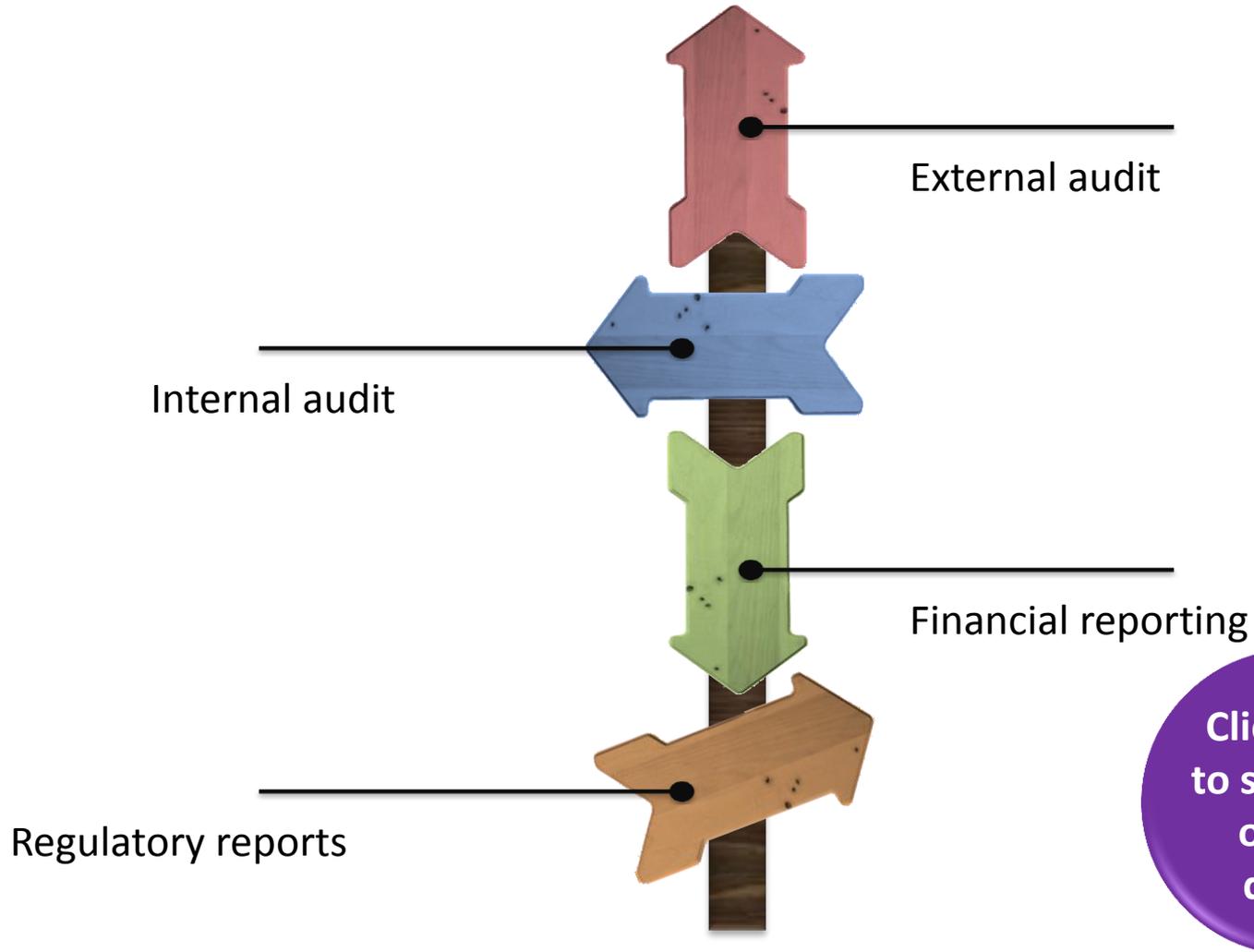
**Risk assurance techniques**

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# Responsibilities of the audit committee



# Responsibilities of the audit committee

## External audit

## Internal audit

## Financial reporting

## Regulatory reports



- Recommend the appointment and re-appointment of external auditors
- Review the performance and cost-effectiveness of the external auditors
- Review the qualification, expertise and independence of external auditors
- Review and discuss any reports from the external auditors

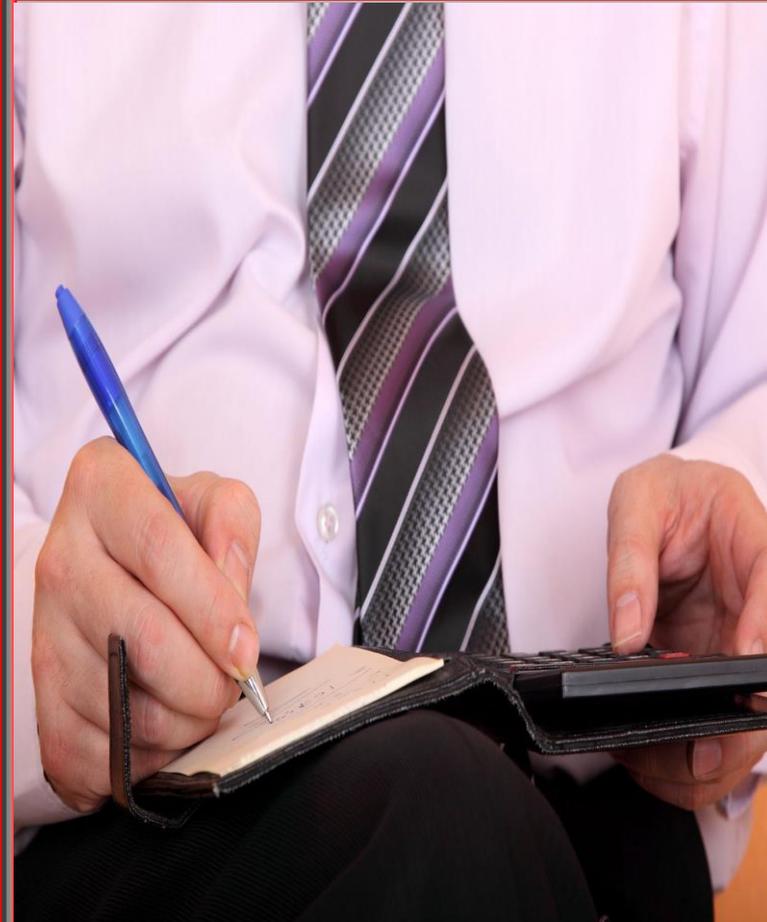
# Responsibilities of the audit committee

External audit

**Internal audit**

Financial reporting

Regulatory reports



- Review internal audit and its relationship with external auditors
- Review and assess the annual internal audit plan
- Review promptly all reports from the internal auditors
- Review management response to the findings of internal auditors
- Review activities, resources and operational effectiveness of internal audit

# Responsibilities of the audit committee

External audit

Internal audit

**Financial reporting**

Regulatory reports



- Review the annual, half-year and quarterly financial results
- Review the disclosure made by the chief executive and group finance director during the certification process for the annual report

# Responsibilities of the audit committee

External audit

Internal audit

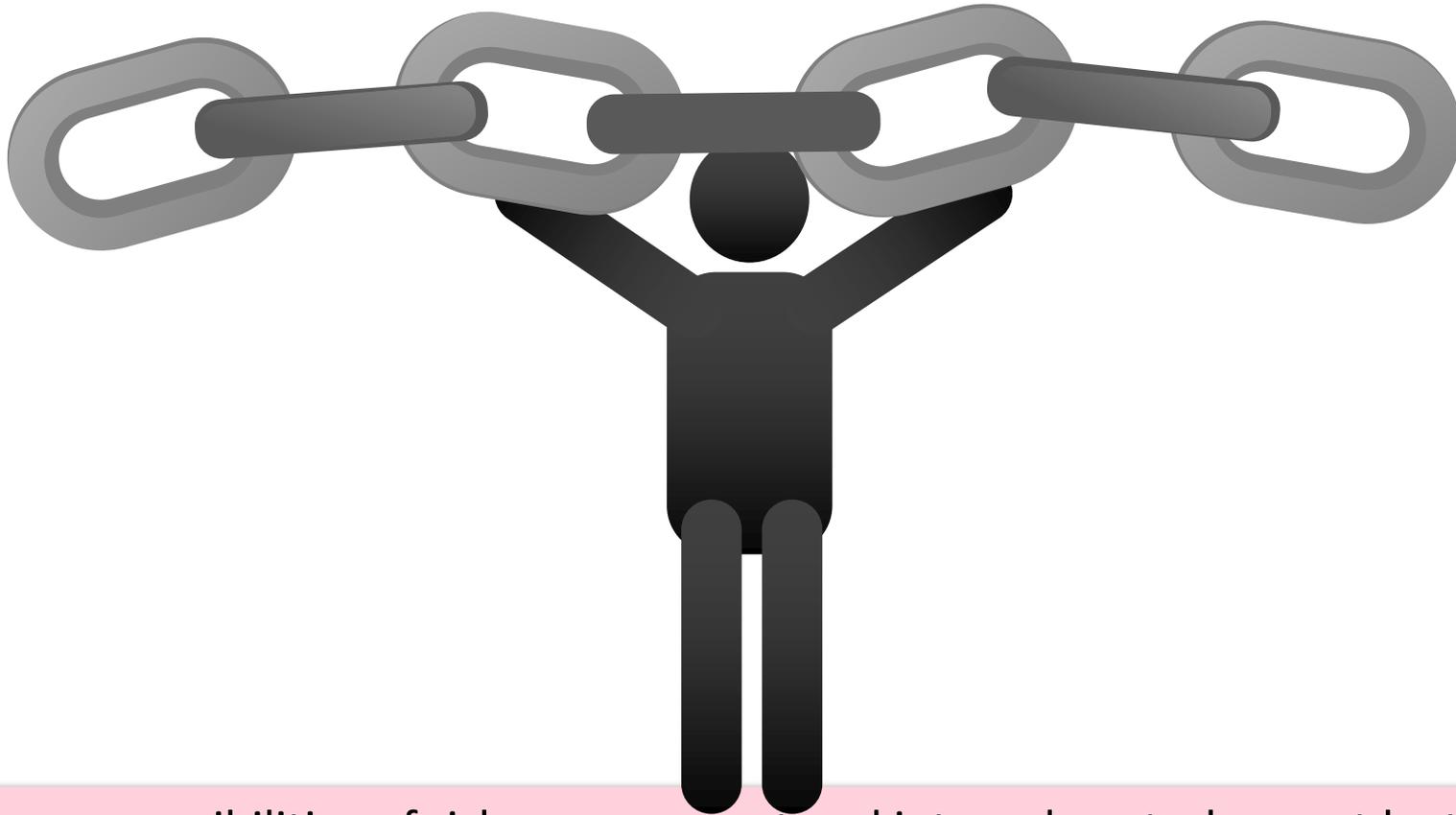
Financial reporting

**Regulatory reports**



- Review arrangements for producing the audited accounts
- Monitor and review the standards of risk management and internal control
- Annually review the adequacy of the risk management processes
- Receive reports on litigation regarding financial commitments and other liabilities

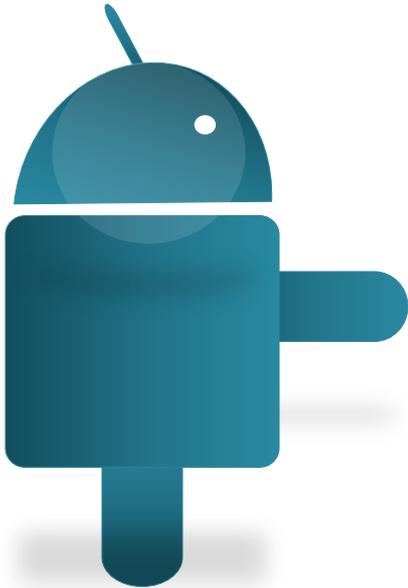
# Role of risk management



The responsibilities of risk management and internal control are set by the risk management policy. The roles of risk management is broad and includes providing assurance, supporting decision making, achieving compliance and improving the efficiency of operations, projects and strategy

# Role of risk management

When allocating risk management responsibilities, consideration should be given in respect of each of the significant risks faced by the organization:



**Determining  
strategy**



**Designing  
controls**



**Auditing  
compliance**

# Risk assurance

Assurance will be required in relation to the risk management activities themselves. The following points should be kept in mind while reviewing and monitoring activities:

Review of the standards of risks control in force

Review of the level of success in achieving business objectives

Delivery of risk assurance across this whole range of activities



Review of the process as it operates the organization

Review of level of success in reducing risk exposures

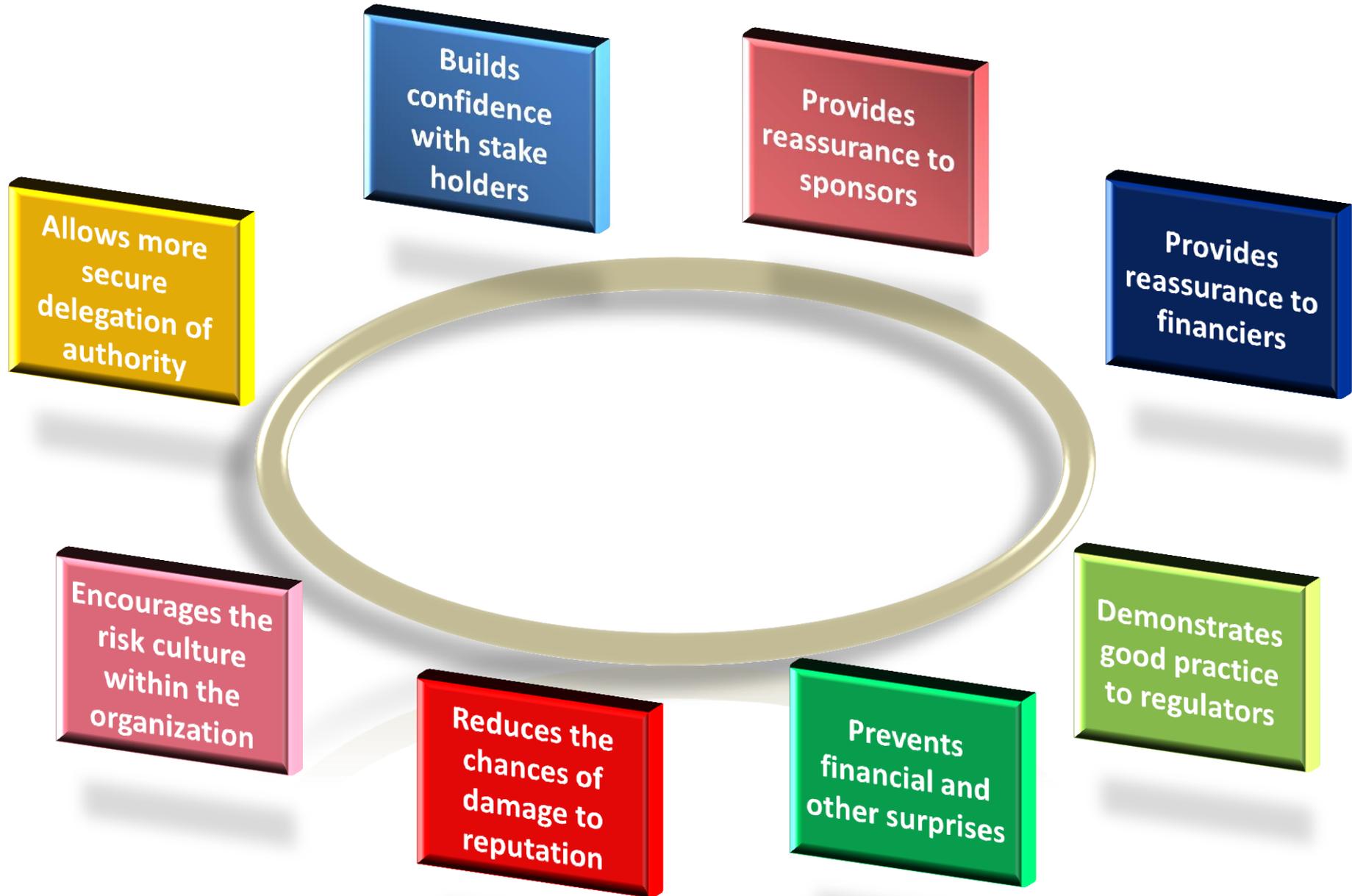
Review of how a high-risk strategy, project or operation was successful

# Risk assurance

When a company plans to borrow more money from the bank, it may be asked to demonstrate how the board obtained assurance that the management of significant risks is satisfactory. The sources of assurance available might include:-



# Benefits of risk assurance



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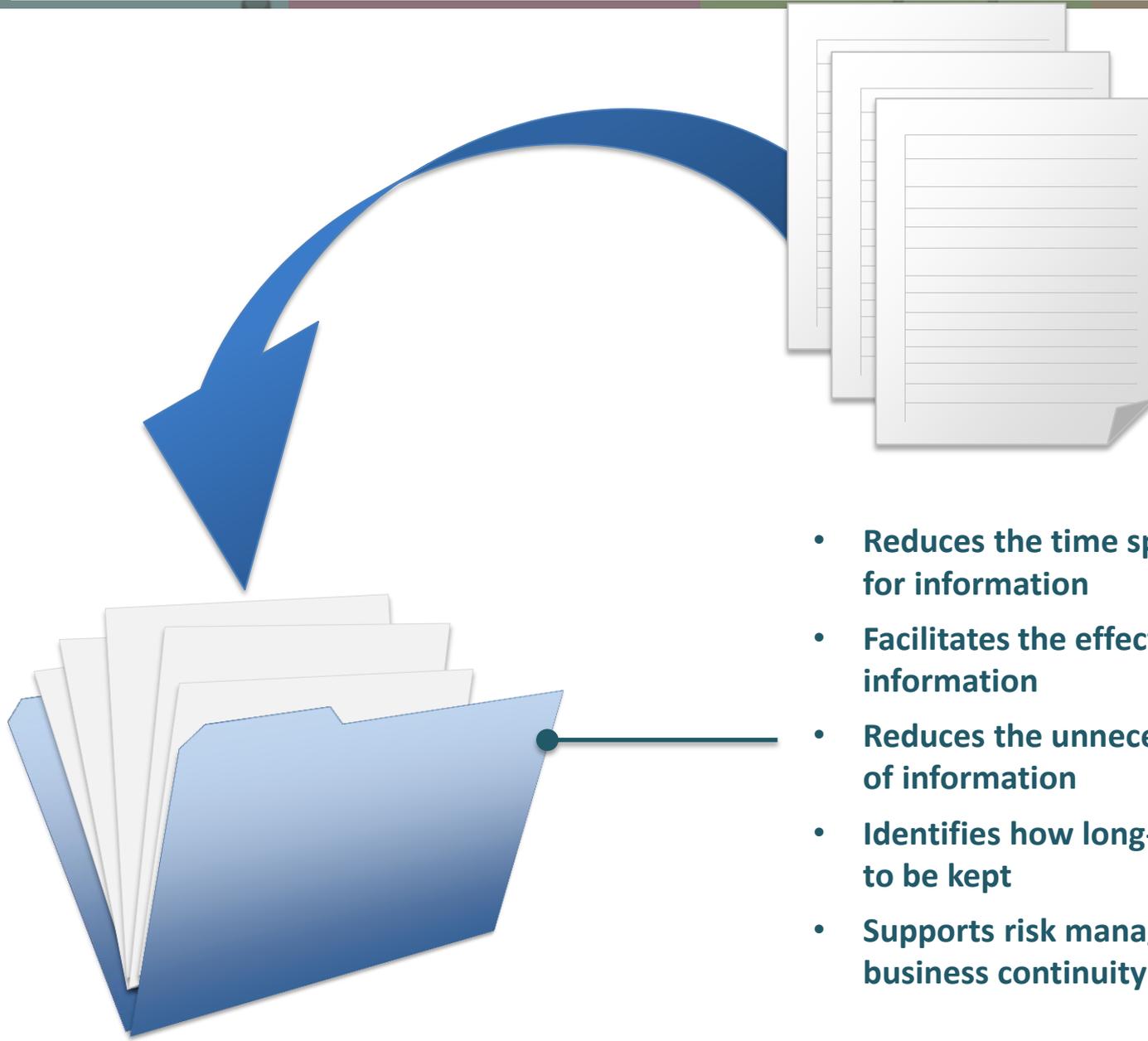
Future of Risk Management

# Risk documentation

There is a high number of risk management documentation which is connected to the risk management activities. The types of risk management documentation are:-



# Importance of records



- **Reduces the time spent by staff looking for information**
- **Facilitates the effective sharing of information**
- **Reduces the unnecessary duplication of information**
- **Identifies how long-term records need to be kept**
- **Supports risk management and business continuity process**

# Designing a risk register

Risk register refers to the document which is kept for recording risk management processes for the risks identified. There are a few disadvantages like these risk registers would become a static record of risk status and the data recorded will not be used in a dynamic way



# Charities risk reporting



Risk reporting by charities is made compulsory in all the countries. Like other listed companies and government departments, charities should have risk management procedures with them

# Government risk reporting principles

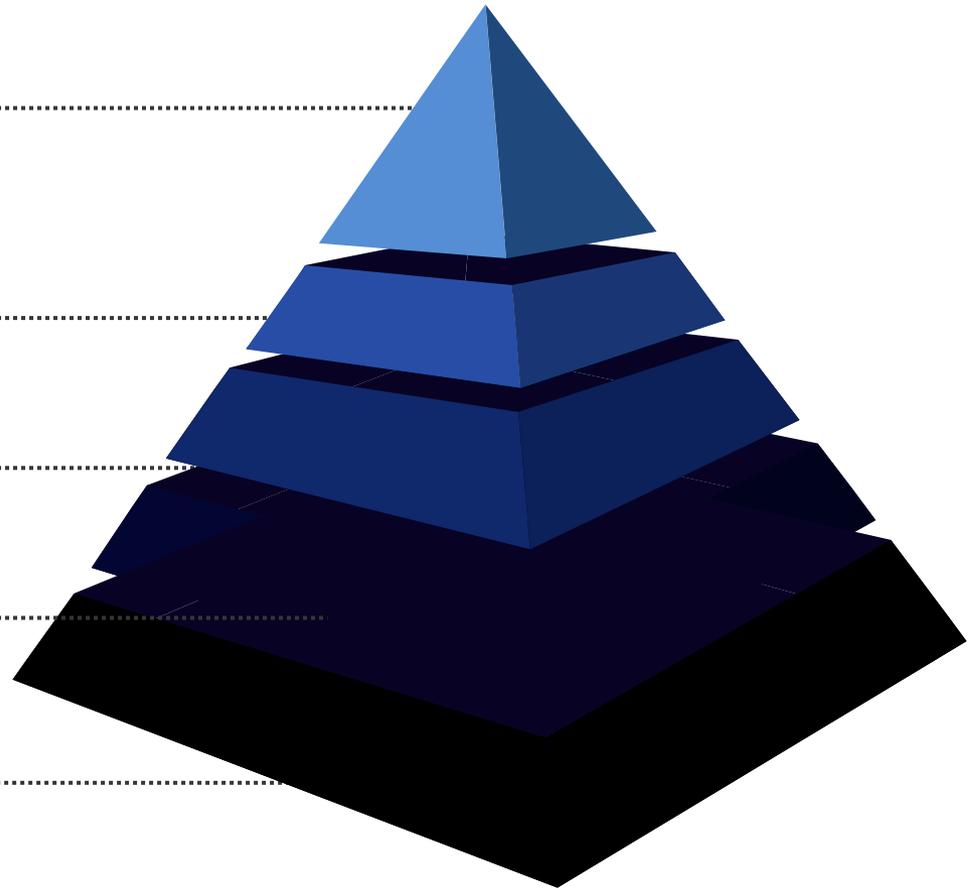
Openness and transparency

Involvement

Proportionality

Evidence

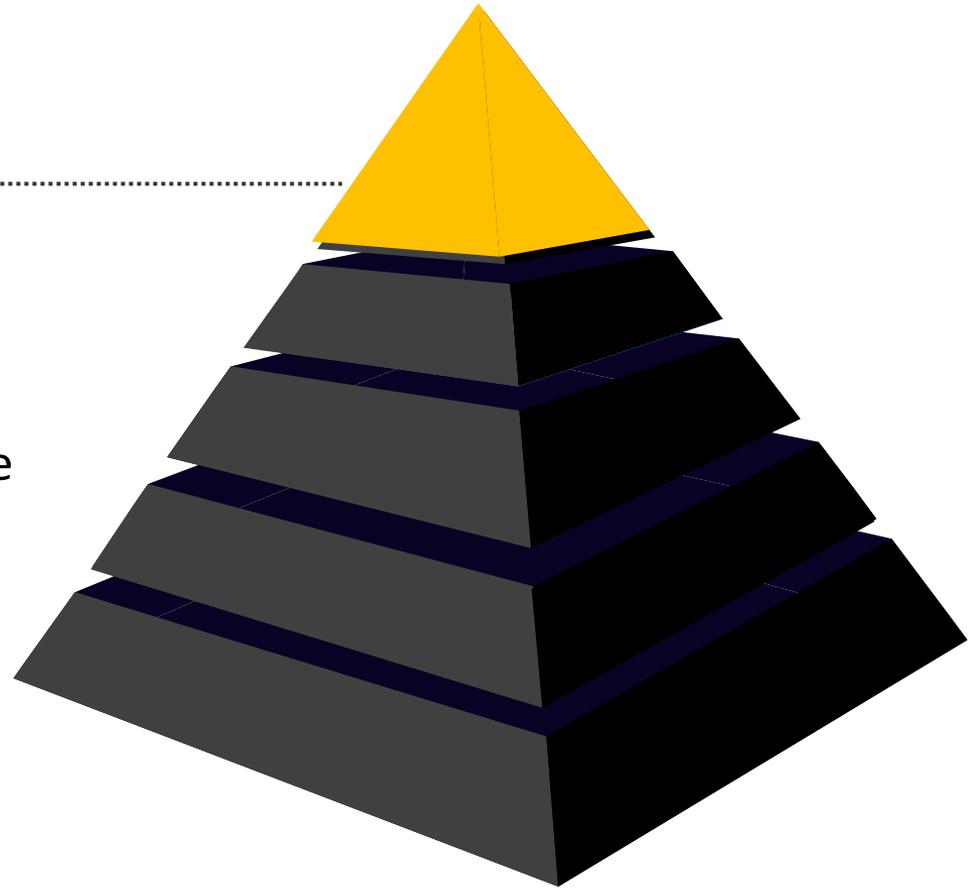
Responsibility



# Government risk reporting principles

## **Openness and transparency**

Government will be open and transparent about its understanding of the nature of risks to the public and about the process it is following in handling them

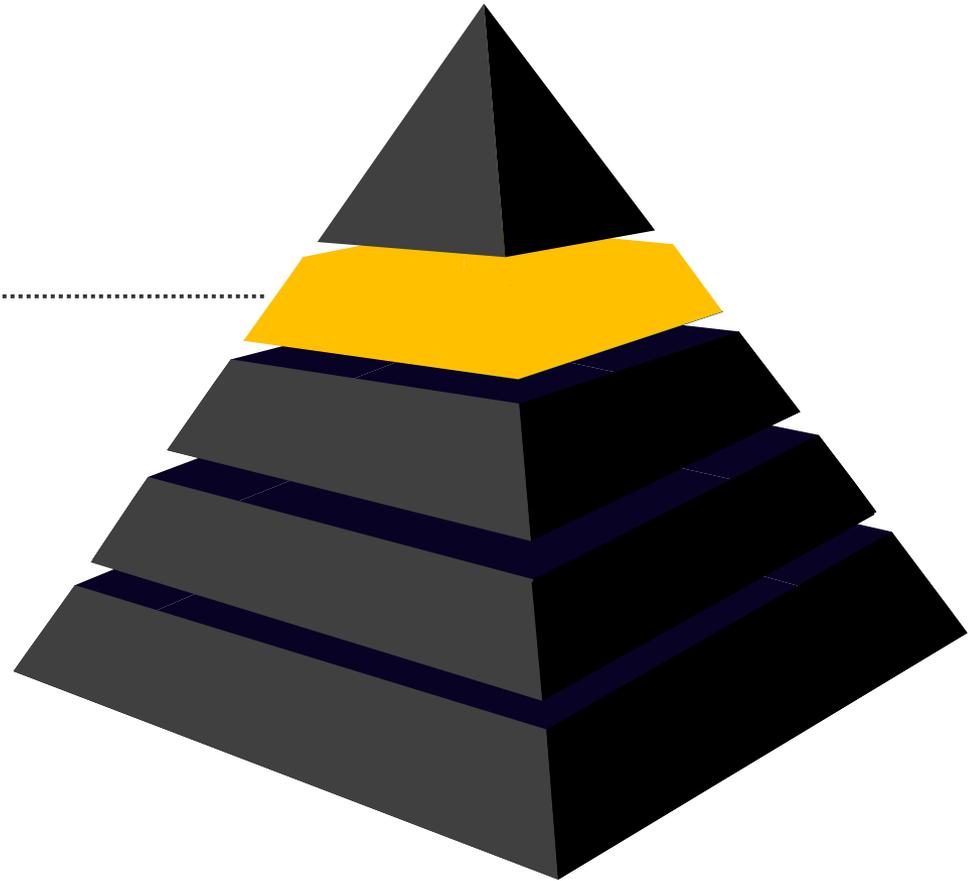


# Government risk reporting principles

## **Involvement**

---

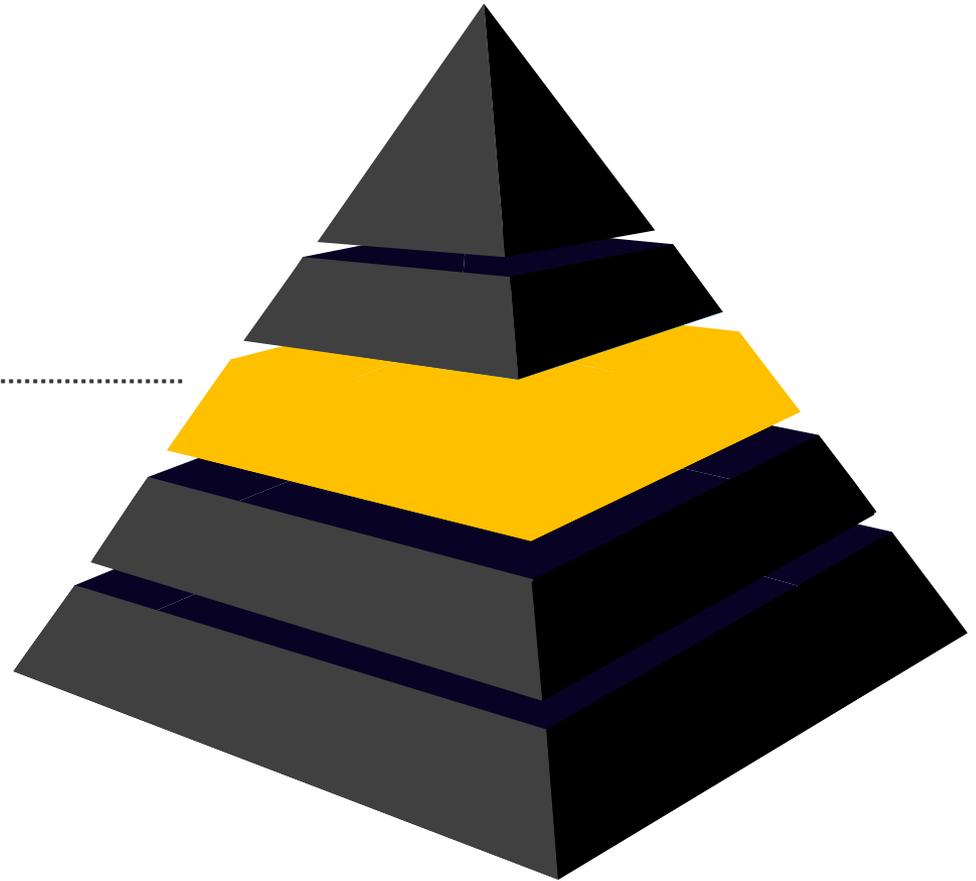
Government will seek wide involvement of those concerned in the decision process



# Government risk reporting principles

## **Proportionately**

Government will act proportionately and consistently in dealing with risks to the public



# Government risk reporting principles

## **Evidence**

Government will seek to base decisions on all relevant evidence

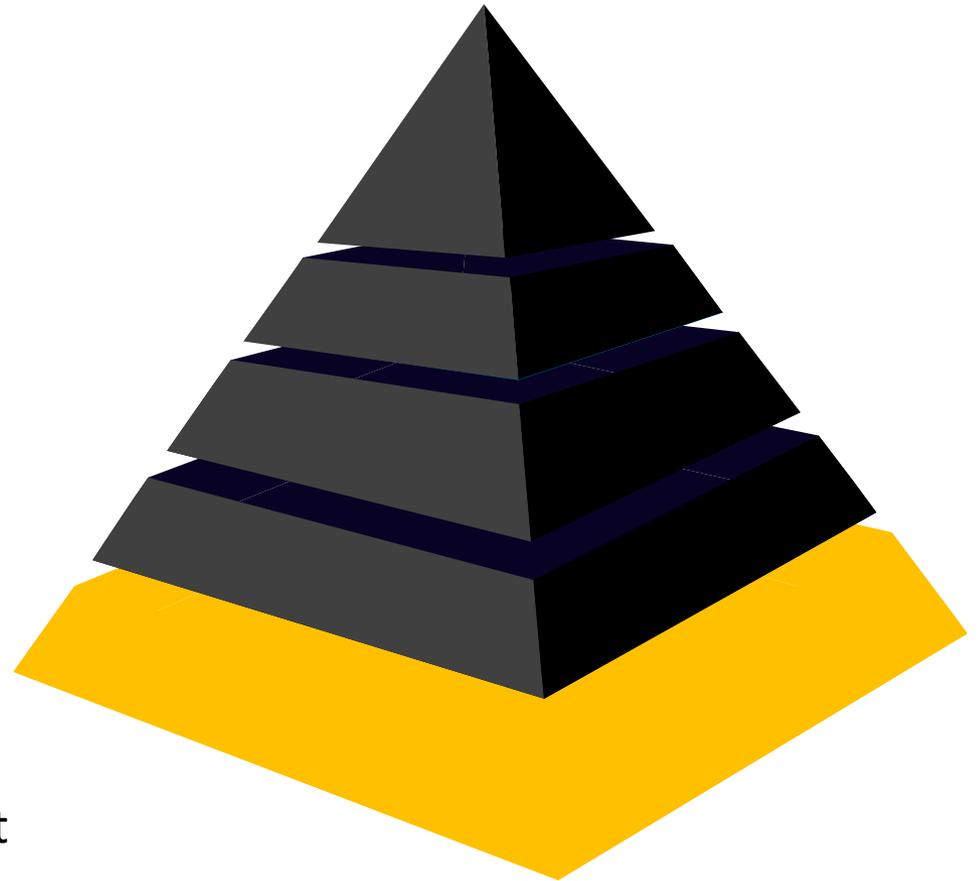


# Government risk reporting principles

## **Responsibility**

---

Government will seek to allocate responsibility for managing risks to those best placed to control them



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# Corporate Social Responsibility



If there is good corporate social responsibility standards in an organization, it will increase the reputation and enhance the stakeholder value. On the other hand, incidents, events and losses which are related to poor corporate social responsibility will spoil the image and reputation of the organization and will pull down the stakeholder value

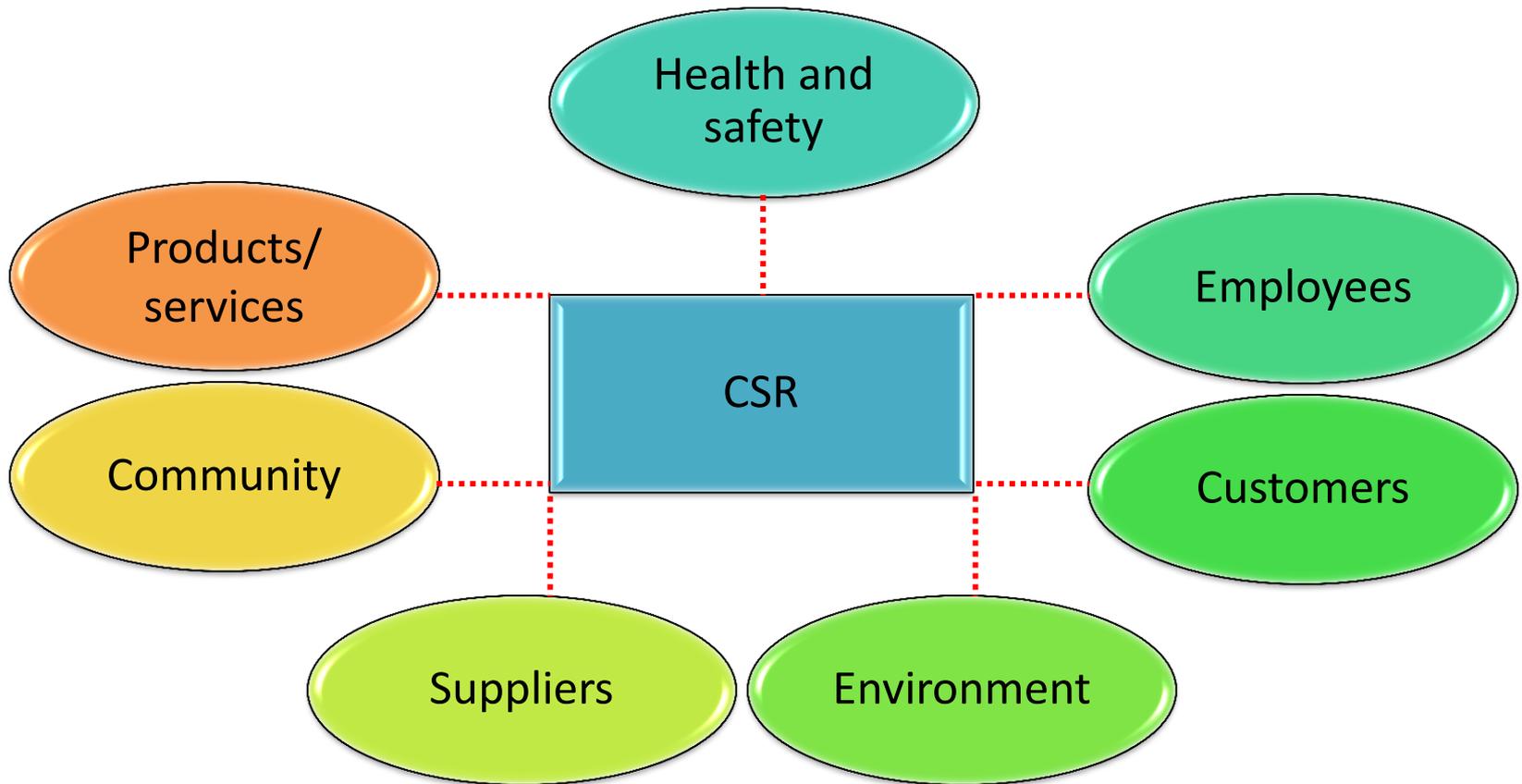
# CSR and risk management

The agendas of both risk management and corporate social responsibility management are broad and interlinked. The risk assessment workshops conducted throughout the world consider CSR and social, ethical and environmental considerations within the topics that are evaluated

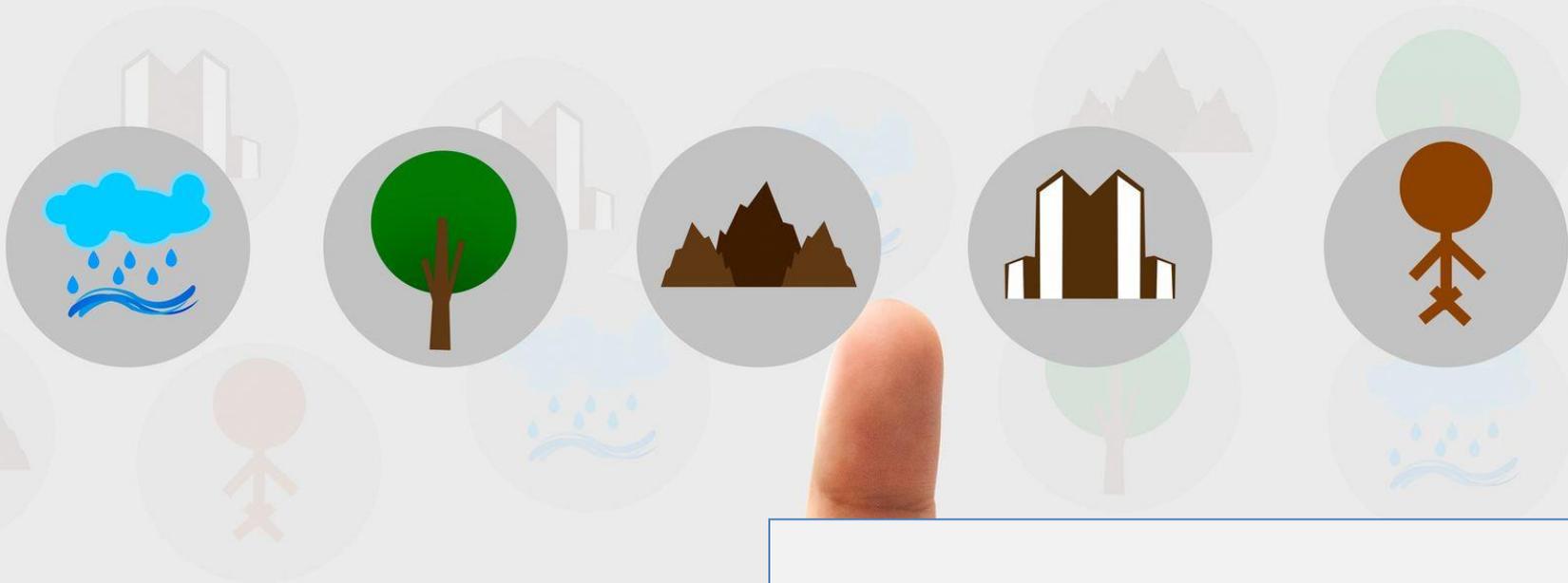
**Corporate  
Responsibility**



# Issues covered by CSR



# CSR and reputational risk



CSR is considered as a reputational issue by most of the organizations. They view the component parts of CSR as hazard risk. There are more probabilities that public views will be ahead of the thinking within many organizations

# CSR and stakeholder expectation



The environmental pressure groups are considered as valid stakeholders. These groups have good influence to bear on the activities of the organization



# Ethical trading



Good ethical behavior is considered important in all businesses. Failure to comply with these ethical standards are considered as major business risk. Bribes and other forms of dishonest and illegal activities have strong consequences for corporate responsibility and future profits

# Reasons for reputational damage



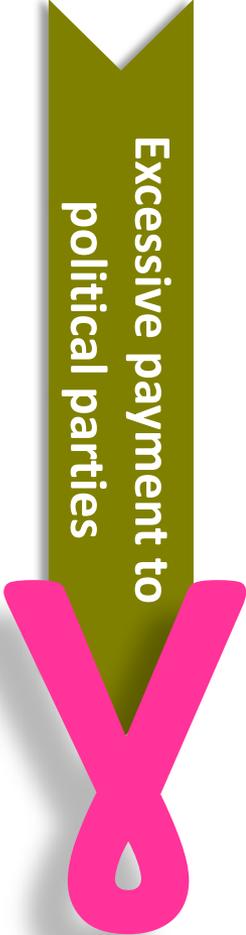
**Tax evasion**



**Failure to comply with  
rules and regulations**



**Unethical alliance with  
competitors**



**Excessive payment to  
political parties**



**False allegation against  
competitors**

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# Steps to successful risk management



Hey! Do you know the idea behind successful risk management?

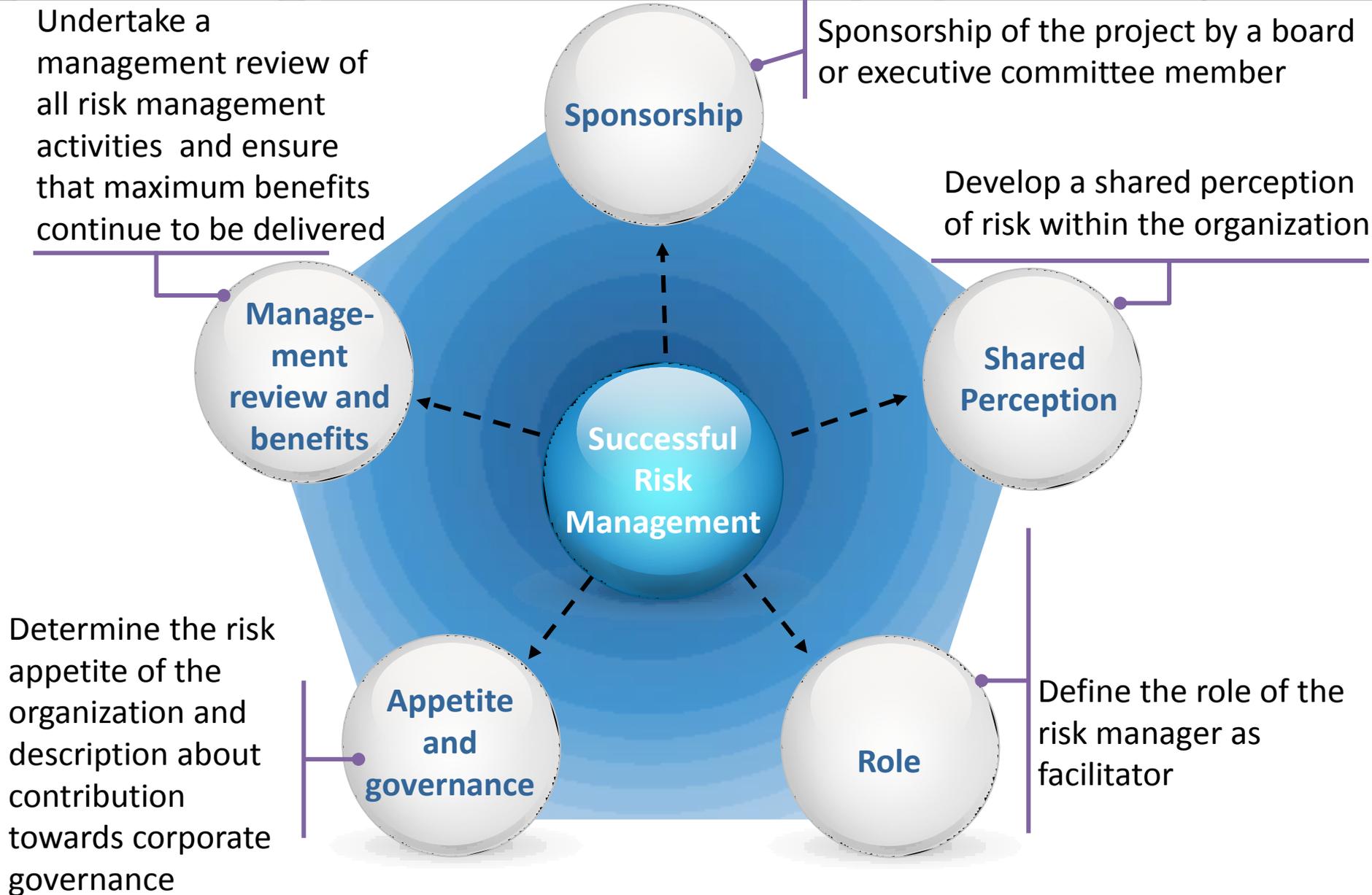
Let us see some ways to achieve successful risk management  
**CLICK HERE!**



Yes! Here it is!

In order to improve the risk management performance of an organization, a risk management initiative is required. This will depend on the size, complexity and nature of the organization. There is no single approach to implementing risk management in an organization

# Achieving successful risk management



# Factors influencing the approach

Senior management  
influence within  
department

External influences  
including corporate  
governance

1

2

Now identify the  
main risk in your  
company  
**CLICK HERE!** To  
write down

4

3

Nature of the business, its  
products and culture

Origin of the risk  
management department

# Risk in your company

Identify what you think is the most important risk related issue your company faces. Choose it intuitively before proceeding with the presentations, based on your current understanding of risk. Describe your issues below

Your Answer here:

**Let us complete  
couple of small  
exercises on the  
following pages  
CLICK HERE!**

# Exercise 1

An employee of Global Solutions, who works in the financial department just outside the center of the resort usually drives his BMW to work. The risks of driving (mainly, injury, or liability in the event of an accident) could be transferred, eliminated, or mostly mitigated if she were to do the following:-

1. Take a shuttle bus from a nearby hotel instead
2. Move to within walking distance of the office
3. Trade in her BMW for a newer Volvo with more advanced safety and navigation features
4. If allowed, telecommute from a home office

Move on to the  
next slide to know  
the question  
**CLICK HERE!**

# Exercise 1

On the lines below, identify how each of these alternatives transfers, eliminates, and/or mitigates the risk for this commuter.

1. Shuttle bus

**Your answer:**

2. Move to within walking distance of the office

**Your answer:**

3. Newer Volvo

**Your answer:**

4. Telecommute:

**Your Answer**

After you  
complete these  
answers, compare  
them in next slide  
**CLICK HERE!**

# Exercise 1

**Take a shuttle bus from a nearby hotel instead**

Avoid any risk of liability and mitigate the risk by riding in a larger, safer vehicle

**Move to within walking distance of the office**

Avoid both risk of liability and risk of injury in an auto accident

**Trade his car in for a newer Volvo that has more advanced safety and navigation features**

Mitigate the risk of liability for an accident on snowy or slick roads and reduce the chance of injury in an accident

**If allowed, get an internet connection and work at home**

Eliminate commuting risks

## Exercise 2: Can you Identify the risk?

For each of the risks listed below, place a check (✓) in the appropriate column(s) to indicate which type of risk it represents

Operational risk

Strategic risk

Manufacturing breakdown

Information system failure

Theft and fraud

Product failure

Outsourcing

Supplier risk

Lack of vision

Lack of innovation

Political risk

Ethical risk

After you have  
completed,  
compare your  
answers in next  
slide  
**CLICK HERE!**

# Answers

For each of the risks listed below, place a check (✓) in the appropriate column(s) to indicate which type of risk it represents	Operational risk	Strategic risk
Manufacturing breakdown	<input checked="" type="checkbox"/>	
Information system failure	<input checked="" type="checkbox"/>	
Theft and fraud	<input checked="" type="checkbox"/>	
Product failure	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Outsourcing	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Supplier risk	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Lack of vision		<input checked="" type="checkbox"/>
Lack of innovation		<input checked="" type="checkbox"/>
Political risk		<input checked="" type="checkbox"/>
Ethical risk		<input checked="" type="checkbox"/>

# Summary

## *Enterprise Risk Management: Key learnings from this module*

- *More effective strategic and operational planning.*
- *Planned risk-taking and the proactive management of risks.*
- *Greater confidence in decision making and achieving operational and strategic objectives.*
- *You will have greater confidence with stakeholders.*
- *Enhanced capital raising and risk-based capital efficiency.*
- *Dealing effectively with disruptions and losses, minimizing financial impact on the organization.*
- *Avoid surprises and be able to do forward planning..*
- *Evidence of a structured / formalized approach in decision making.*