

The Enterprise Risk Management Process

Consider your business

- Strategy/plan
- Vision/mission
- Values/culture
- Capabilities
- SWOT



Consider your stakeholders

- Financiers
- Shareholders
- Community
- Government
- Customers
- Media
- Employees
- Auditors



Consider external environment

- Competitors
- Social factors
- Economy
- Politics
- Technology
- Resources
- Legal

1 Establish context

Risk management framework

- Stakeholder interviews
- Set boundaries
- Set risk-appetite
- Establish ERM plan
- Align ERM to strategy
- Consider board/management
- Assign responsibilities
- Plan activities
- Train risk owners



2 Communicate and consult

The Board

- Oversight
- Set tone at the top
- Commitment

Chief Executive Officer

- Establish vision
- Set clear objectives
- Lead strategy
- Seek opportunity
- Manage risk
- Allocate resources
- Reinforce commitment



Operational management

- Risk owners
- Implement plans
- Monitor performance
- Manage people
- Feedback

Effective communication



- Communication plan
- Clear ERM objectives
- Involve and engage
- Top-down: bottom-up
- Promote awareness

Risk reporting

- Heat maps
- Risk register
- Risk profiles
- Action plans



Incident management

- Record
- Analyse root cause
- Respond
- Rectify



Compliance management

- Monitor
- Identify & schedule
- Track
- Sign-off

5 Monitoring and review

Internal audit



- Risk-based audit
- Independent control testing
- Audit report
- Control remediation

Legal, compliance and assurance



- Compliance programme
- Regulatory update & training
- Independent reassurance

Risk review

- Risk profiles update
- New risks? Recent incidents?
- Risk owner refresher training
- Risk management framework
- Re-align to new business strategy



3 Risk assessment

Identify risks

- What can go wrong?
- Possible scenarios?
- Key threats
- Transform threats to opportunity
- Risk workshops
- Risk profiles
- Task analysis
- Brainstorming
- Incident log



Analyses & evaluate risks

- Risk chain: hazards and causes
- Risk = likelihood x consequence
- Likelihood: Probability
- Consequence: Impact
- Inherent risk: risk before controls
- Residual risk: risk after controls
- Prioritise risks & treat

Major sources of risk



Strategic risks

- Strategic planning
- Strategy implementation
- Competition
- New markets & products

Financial risks



- Credit/liquidity
- Market
- Accounting
- Reporting

Regulatory risks



- Legal & political
- Compliance
- Tax
- Contract
- Governance

Operational risks



- Human behaviour
- Natural events/disasters
- Assets & infrastructure
- Technology & technical
- Commercial
- Economic conditions
- Business processes
- Projects

Internal controls

- Operating procedures
- Training
- Supervision
- Segregation of duties
- Delegated authorities
- Maintenance & testing
- Security
- System controls
- Contract management



- Whistle blowing
- Planning & budgeting
- Performance review
- BCP's & DRP's
- Protective equipment
- Insurance
- Loss control

4 Treat risks

Treatment options

- Accept if within risk appetite
- Avoid if outside risk appetite
- Control to within risk appetite
- Transfer remainder

Control types

- Detective
- Preventative
- Corrective