



# Risk Management

## “Without the fuss”

**Lee Glover**  
**Director of Internal Audit & Risk Management**



# Introduction

- *Risk = Any threat to the achievement of our strategic objectives.*
- *We all deal with risk 'everyday' whether we recognise it or not.*
- *How do we demonstrate to our stakeholders that we monitor and manage our risk environment?*
- *How not to make an industry out of 'Risk Management'.*

# Why all the fuss?

*A few reasons:*

- *Knowledge economy*
- *Dynamic workplace*
- *Empowerment of workforce*
- *Business moves faster*
- *Well publicised business failures*
- *Greater competition*
- *Greater customer movement*
- *Reduced physical barriers*
- *Advancements in communications & technology*



**Clement Keys**  
CHARTERED ACCOUNTANTS

# Common Mistakes

- *Too much paperwork*
- *Lack of communication, understanding & involvement*
- *Failure to monitor the implementation of mitigating controls*
- *Failure to use the assurance sources available to management*
- *Failure to identify KPIs*
- *Failure to use the available Knowledge Systems*
- *Complicated scoring mechanisms*
- *Failure to listen!*



# The Real Risks

**\$1 billion**

**loss following failure of financial control**

**Poor maintenance blamed for rail deaths**

**Housing Scheme thrown out again**

**New A-level fiasco**

**Police officer dies at arrest site**

**Hospital boss quits after just one year**

**999 PATIENTS**

**Teacher fiddled GCSE exam results**

**TURNED AWAY**

**Student Stabbed**

**Blunder exposed workers to danger**

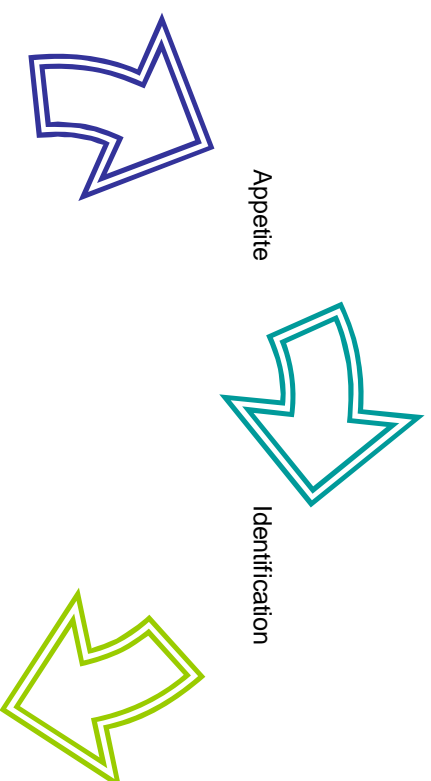
**FSA Fine for not 'Treating Customers Fairly'**

**GOVERNANCE failings blamed for collapse**

**CSA chief pays price for agency's computer chaos**

**Jail for conman 'Forensic Expert'**

# Core elements



Management

Measurement



Prioritisation



*Remember 'We Don't Sell Gnomes'* **Clement Keys**  
CHARTERED ACCOUNTANTS



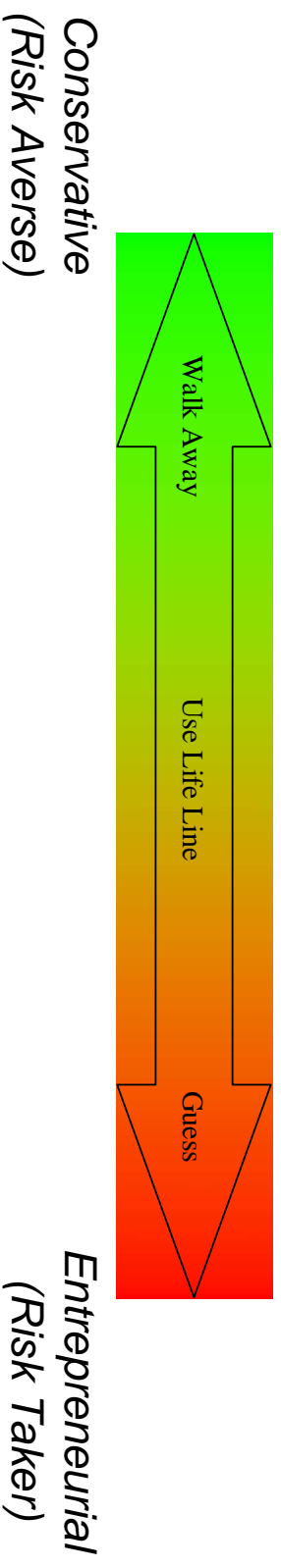
# Components of Effective Risk Management

- *Articulate the organisation's objectives*
- *Identify the risks to achieving those objectives*
- *Rank risks*
- *Make a decision*
- *Communicate effectively*
- *Monitor the position*
- *Take the 'strategic' view*
- *Keep it clear & concise*

*'Simple'?*

# Risk Appetite

- *Decide your organisation's 'Risk Appetite'*



# Identify Risks

*Broadly speaking risks slot into the following 3 categories:*



*Financial (Directly impact financial position)*

*Operational (Indirectly impact financial position)*



*Strategic (impact business viability)*

# Measure & Prioritise

Impact	High	Requires close monitoring	Manage and monitor	Significant focus and action
	Medium	Accept but monitor	Management effort worthwhile	Manage and monitor
	Low	Accept risks	Accept but periodically review	Accept but monitor
		Low	Medium	High
		Likelihood		

## Categories of perceived risk exposure

- Fundamental
- Significant
- Medium

# Manage Risk

## *Methods*

- *Risk Avoidance (Elimination)*
- *Risk Transfer (Insurance)*
- *Risk Control (Acceptance & Mitigation)*

***'Don't ignore risk!'***

# Communicate & Demonstrate

Two core documents:

- *Risk Management Policy*
- *Risk Register*

The full picture:

- *Committee Terms of Reference*
- *Roles & Responsibilities*
- *Agenda item*
- *Minutes*

# Risk Management Policy

## *Include*

- *Purpose – integral part of effective internal control & governance*
- *Statement of the organisation's Risk Appetite*
- *General approach to Risk Management*
- *Role of the Board*
- *Role of the Audit & Risk Committee*
- *Role of the Chief Executive & the Risk Champion*
- *Role of management, staff & departments (as appropriate)*
- *Recognition of the wider system of Internal Control*  
*(Policies & procedures, Monthly Reporting, Strategic Planning & Budgeting, High Level Action Plans, Internal Audit, External Audit and 3<sup>rd</sup> Party Reviews)*
- *Periodic (annual) review of effectiveness*

***'Remember it's not a novel!'***

# Risk Registers

*Decide at what level RRs are going to operate in your organisation*

*Include*

- *Group risks by type (Strategic, Operational & Financial)*
- *Demonstrate movement (Previous & Current Risk Grades)*
- *Keep scoring simple (Impact & Likelihood)*
- *Prioritise to focus attention*
- *Current core controls (Avoidance, Transfer & Control)*
- *Further mitigating actions*
- *Responsibility & timeframes*
- *Map to your assurance framework*



**Clement Keys**  
CHARTERED ACCOUNTANTS

# Benefits

- *Increased focus upon the achievement of strategic objectives*
- *Increased focus upon 'real' risks*
- *Improved awareness of risk & control*
- *'No Surprises' greater anticipation & preparation*
- *Greater understanding of core business drivers*
- *Maximising the benefit of existing knowledge & systems*
- *Empowerment of individuals*
- *Compliance with external best practice*
- *Awareness of the benefits of risk taking*

*'Risk Management is simply good business'*



**Clement Keys**  
CHARTERED ACCOUNTANTS

# Without the Fuss

- *'It's nothing new' or 'You've been very lucky'*
- *It's simply good business & good governance*
- *Be positive, promote & communicate*
- *Don't destroy a rain forest*
- *Don't over complicate*
- *Engage with your advisors*

*'Adding value through the development of effective partnerships for the provision of risk based assurance solutions'*



**Clement Keys**  
CHARTERED ACCOUNTANTS



# Risk Management

## “Without the fuss”

**Lee Glover**

**Director of Internal Audit & Risk Management**

**Email: [lee.glover@clementkeys.co.uk](mailto:lee.glover@clementkeys.co.uk)**

**Tel: 0121 456 4456**



**Clement Keys**  
CHARTERED ACCOUNTANTS