Iso 31010 ppt

1 New Standards for the Management of RiskISO 31000:2009 - ISO/IEC 31010 & ISO Guide 73:2009 New Standards for the Management of Risk Kevin W Knight AM; CPRM; Hon FRMIA; FIRM (UK); LMRMIA; ANZIIF (Mem). CHAIRMAN ISO WORKING GROUP - RISK MANAGEMENT STANDARD MEMBER STANDARDS AUSTRALIA / STANDARDS NEW ZEALAND JOINT TECHNICAL COMMITTEE OB/7 - RISK MANAGEMENT P 0 BOX 226, NUNDAH Qld 4012, Australia 06/10 2 Managing Risk We all manage risk consciously or unconsciously- but rarely systematically Managing risk means forward thinking Managing risk means responsible thinking Managing risk means balanced thinking Managing risk is all about maximising opportunity and minimising threats The risk management process provides a framework to facilitate more effective decision making 3 History of the ISO and Risk ManagementOver 80 separate ISO and IEC Technical Committees are addressing aspects of risk management 27th June 2002, ISO/IEC Guide 73, Risk Management - Vocabulary" published. 2004 ISO Technical Management Board (TMB) approached by Australia and Japan AS/NZS 4360:2004 to be adopted by ISO. June 2005, TMB sets up Working Group (WG) ISO & ISO Guide 73 published ISO/IEC published. 4 Terms of Reference as approved by Technical Management BoardThe WG provides a document which provides principles and practical guidance to the risk management process. The document is applicable to all organizations, regardless of type, size, activities and location and should apply to all type of risk. 5 Terms of Reference as approved by ISO TMB (Continued)The document should: establish a common concept of a risk management process and related matters. provide practical guidelines to: understand how to implement risk management identify and treat all types of risk, treat and manage the identified risks, improve an organization's performance through the management of risk, maximize opportunities and minimize losses in the organization; raise awareness of the need to treat and manage risk in organizations. 6 Terms of Reference as approved by TMB (Continued)2. Type of deliverable The standard to be developed is a Guideline document, and is NOT to be used for the purpose of certification. 7 ISO Guide 73: Scope provides a basic vocabulary of the definitions of generic terms related to risk management aims to encourage a mutual and consistent understanding, a coherent approach to the description of activities relating to the management of risk, and use of risk management terminology in processes and frameworks dealing with the management of risk. 8 Terms included in ISO Guide 73 in Alphabetical orderCOMMUNICATION & CONSULTATION CONSEQUENCE CONTROL ESTABLISHING THE CONTEXT EVENT EXPOSURE EXTERNAL CONTEXT FREQUENCY HAZARD INTERNAL CONTEXT LEVEL OF RISK LIKELIHOOD MONITORING PROBABILITY RESIDUAL RISK RESILIENCE REVIEW RISK RISK ACCEPTANCE RISK AGGREGATION RISK ANALYSIS RISK APPETITE RISK ASSESSMENT RISK ATTITUDE RISK AVERSION RISK AVOIDANCE RISK CRITERIA RISK DESCRIPTION RISK EVALUATION RISK FINANCING RISK IDENTIFICATION RISK MANAGEMENT RISK MANAGEMENT AUDIT RISK MANAGEMENT FRAMEWORK RISK MANAGEMENT PLAN RISK MANAGEMENT POLICY RISK MANAGEMENT PROCESS RISK MATRIX RISK OWNER RISK PERCEPTION RISK PROFILE RISK REGISTER RISK REPORTING RISK RETENTION RISK SHARING RISK SOURCE RISK TOLERANCE RISK TREATMENT STAKEHOLDER VULNERABILITY 9 The Pivotal Definitionrisk effect of uncertainty on objectives NOTE 1 An effect is a deviation from the expected — positive and/or negative. NOTE 2 Objectives can have different aspects (such as financial, health and safety, and environmental goals) and can apply at different levels (such as strategic, organization-wide, project, product and process). NOTE 3 Risk is often characterized by reference to potential events and consequences, or a combination of these. NOTE 4 Risk is often expressed in terms of a combination of the consequences of an event (including changes in circumstances) and the associated likelihood of occurrence. NOTE 5 Uncertainty is the state, even partial, of deficiency of information related to, understanding or knowledge of, an event, its consequence, or likelihood. [ISO Guide 73:2009] 10 KNOWLEDGE ABOUT OUTCOMES KNOWLEDGE ABOUT LIKELIHOODSWell-defined outcomes Poorly defined outcomes Some basis for probabilities risk ambiguity KNOWLEDGE ABOUT LIKELIHOODS "INCERTITUDE" No basis for probabilities uncertainty ignorance O'Riordan, T, and Cox, P Science, Risk, Uncertainty and Precaution. Senior Executive's Seminar – HRH the Prince of Wales's Business and the Environment Programme. University of Cambridge. 11 risk owner person or entity with the accountability and authority to manage a risk control measure that is modifying risk NOTE 1 Controls include any process, policy, device, practice, or other actions which modify risk. NOTE 2 Controls may not always exert the intended or assumed modifying effect [ISO Guide 73:2009] 12 Accountable ResponsibleYet to be defined Liability for the outcomes of actions or decisions NOTE: Includes failure to act or make decisions OR being obligated to answer for a decision obligation to answer for an action. ____ Obligation to carry out duties or decisions, or control over others as directed having the obligation to act obligation to carry out instructions. Accountable Responsible 13 ISO 31000: Users ISO 31000:2009 is intended to be used by a wide range of stakeholders including: those responsible for implementing risk management within their organization; those who need to ensure that an organization manages risk; those who need to manage risk for the organization as a whole or within a specific area or activity; those needing to evaluate an organization's practices in managing risk; and developers of standards, guides, procedures, and codes of practice that in whole or in part set out how risk is to be managed within the specific context of these documents. The listed users are not exclusive 14 A Business Principles Approach to the Management of Risk 15 Principles Framework (Clause 4) Process (Clause 5)a) Creates value b) Integral part of organizational processes c) Part of decision making d) Explicitly addresses uncertainty e) Systematic, structured and timely f) Based on the best available information g) Tailored h) Takes human and cultural factors into account i) Transparent and inclusive j) Dynamic, iterative and responsive to change k) Facilitates continual improvement and enhancement of the organization Mandate and Commitment (4.2) Establishing the context (5.3) C o m u n i c a t & s l 5.2 M o n i t r g & e v w (5.6) Risk assessment (5.4) Design of framework (4.3) Risk identification (5.4.2) Continual improvement of the Framework (4.6) Implementing risk Management (4.4) Risk analysis (5.4.3) Risk evaluation (5.4.4) Monitoring and review of the Framework (4.5) Risk treatment (5.5) Principles (Clause 3) Framework (Clause 4) Process (Clause 5) ISO 31000:2009 Figure 1 – Relationship between the principles, framework and process 16 Corporate Governance The way in which an organisation is governed and controlled in order to achieve its objectives. The control environment makes an organisation reliable in achieving these objectives within a tolerable degree of risk. It is the glue which holds the organisation together in pursuit of its objectives while risk management provides the resilience. Queensland Audit Office – Report No : - 17 Corporate Governance "The system by which entities are directed and controlled." "Corporate governance generally refers to the processes by which organisations are directed, controlled and held to account. It encompasses authority, accountability, stewardship, leadership, direction and control exercised in the organisation." SAA HB Governance, risk management and control assurance Standards Australia. ISBN X 18 OPERATIONAL MANAGEMENT Risk Management's Role in Corporate GovernanceACCOUNTABILITY SUPERVISION GOVERNANCE STRATEGIC MANAGEMENT EXECUTIVE DECISION & CONTROL OPERATIONAL MANAGEMENT Potential greater future role of risk management Traditional and current risk management application Risk Management's Role in Corporate Governance 19 Business Principles Approach ISO 31000:2009 Principles (Clause 3)Risk management should…. Create value Be an integral part of organisational processes Be part of decision making Explicitly address uncertainty Be systematic and structured Be based on the best available information Be tailored Take into account human factors Be transparent and inclusive Be dynamic, iterative and responsive to change Be capable of continual improvement and enhancement 20 Risk management should create valueRM contributes to the achievement of objectives. Protects value – minimise downside risk, protects people, systems and processes. Risk management creates and protects value. One of the greatest challenges for risk managers is to demonstrate that risk management adds value. This principle recognises that risk management helps the organisation achieve its objectives. Risk management helps the organisation achieve its objectives and helps improve performance in many areas including for example, human health and safety, security, legal and regulatory compliance, public acceptance, environmental protection, product quality, project management, efficiency in operations, governance and reputation. Once an organisation has set goals and established policy and processes, applying risk management thinking can help improve performance by supporting new opportunities and minimising downside risks. RM helps when creating value – taking risk for reward - Apply risk management to mergers, acquisitions, new products, new projects – take risk for reward. RM helps protect value – Apply risk management to business process, compliance with laws & regulations, financial management, HR management, OHS&E management, business continuity management. The introduction lists 18 benefits of managing risk that include increasing the likelihood of achieving objectives, improving stakeholder confidence, minimising losses, improving operational effectiveness and efficiency and establishing a reliable basis for decision making and planning. Value should be clearly documented in the risk management policy. Ongoing communication/reinforcement to risk owners and stakeholders. 21 Risk management should be an integral part of organizational processesRM is not a stand-alone activity from the management system of the organisation. RM is part of the process - not an 'additional' compliance task. Risk management is an integral part of all organizational processes. Risk management activities should not be separate from the main activities and processes of the organisation. Risk management activities should be incorporated into business as usual business processes and management controls at all levels and should be part of management's responsibilities - including strategic planning and all project and change management processes. RM is not "Additional". The word additional implies that it may not be necessary, nice to have, not mandatory, not important. Who likes additional work? How to embed – Strategic level SWOT, Workshop risks of strategic plans. Qtly review of risks along with plan Involve the right people Operational level internal controls, policies and procedures Many organisational processes involve decision making (next principle) 22 Risk management should be part of decision makingRisk management helps decision makers make informed choices, prioritize actions and distinguish among alternative courses of action. Helps allocate scarce resources. Risk management is part of decision making. Every time a manager makes a decision (strategic or process level), there is exposure to risk. This principle recognises that good risk management helps managers make better decisions to minimise risk and optimise every opportunity. Integral part of corporate governance ("the way a corporation (or company) is directed, administered or controlled") and all these activities require decisions – ASX Principle 7, APRA GPS 220, PHIAC, NSW DLG Better Practice Review. Resources are scarce (Economics 101) – Taking a close look at risk when allocating resources (e.g. $, people, time) Higher risk projects Higher risk processes Higher risk decisions Many decisions involve a level of uncertainty (next principle) 23 Risk management explicitly addresses uncertaintyRisk management explicitly takes account of uncertainty, the nature of that uncertainty, and how it can be addressed. RM addresses uncertainty, no matter the level of uncertainty. Risk management explicitly addresses uncertainty. Risk management explicitly takes account of uncertainty, the nature of that uncertainty, and how it can be addressed. Uncertainty is inherent in every business and by identifying and analysing a range of risks, risk owners are better able to implement controls and treatments to mitigate the likelihood and/or consequence of uncertainty and establish a more resilient organisation. Minimising uncertainty (or certain types of events) is important for some stakeholders Shareholders – financial performance to return a dividend Lenders/creditors – repayment of loans Good risk management systems means they have more confidence Levels of uncertainty: None (certainty): Outcomes can be predicted with precision (walking in rain – get wet) Level 1 (objective uncertainty): Outcomes are identified and probabilities known (toss a coin – heads or tails) Level 2 (subjective uncertainty): Outcomes are identified and probabilities unknown (% market share of new product – probability?) Level 3 (uncertainty): Outcomes are not fully known and probabilities unknown (impact of climate change?, major meteor strike?) In addressing uncertainty, we typically apply a structured approach (next principle) 24 Risk management should be systematic and structuredA systematic, timely and structured approach to the management of risk contributes to efficiency and to consistent, comparable and reliable results. The more aligned – the more effective and efficient. Risk management is systematic, structured and timely. A systematic, timely and structured approach to risk management contributes to efficiency and to consistent, comparable and reliable results. Like other management systems, risk management should be planned and controlled to ensure efficiency. The standard itself promotes a structured and systematic risk management process and risk management framework where each step feeds into the next to build Setting context – helps align the risk management framework to organisation objectives and stakeholder needs and gets initial engagement Initial and ongoing communication – sets the scene for people (why, when, who and why?) Training – helps ensure people understand (risk management, company policy) Risk assessment & control evaluations – put the theory into practice (workshops) Treatment plans – addresses the inherent risk Regular risk reviews (Qtly, annual?) Periodic risk monitoring (reporting to Board, Audit Comm, Senior Mngt on 'results' and progress Good ERM technology AFTER/or as part of developing a risk management framework will help. Why? Computers are systematic logical thinkers A risk structure must be defined first (e.g. like a chart of accounts) Systems can prompt people to action Other - Gen Y thing, audit trail, many reports. The purpose of this systematic thinking and structure is to improve our understanding of the risks & controls i.e. obtaining good information 25 Risk management should be based on the best available informationThe inputs to the process of managing risk are based on information sources such as historical data, experience, stakeholder feedback, observation, forecasts and expert judgement. Information costs money. Perfect information is not always possible. Start with resources/expertise you have or gain easily. Increase information as the level of risk increases. Risk management is based on the best available information. The inputs to the process of managing risk are based on information sources such as historical data, experience, stakeholder feedback, observation, forecasts and expert judgement. However, decision makers should inform themselves of, and should take into account, any limitations of the data or modelling used or the possibility of divergence among experts. This principle reads a little like a disclaimer. It recognises the fact that information is often limited, costly and imperfect. However, good risk management will consider information from many sources including observation, experience, forecasts and experts. As a start – use 'resident' information with risk owners that is easily accessible If more information is required - spend more time, do more research, engage specialists The amount of information you gather should be commensurate with the level of risk or uncertainty. The more risk/uncertainty, the more information needed. Trade off considerations – The cost vs benefit of more information The impact of imperfect information on decisions 26 Risk management should be tailoredRisk management is aligned with the organization's external and internal context and risk profile. Different risk appetites & different measurements. Context remains one of the most difficult areas. Risk management is tailored. Risk management is aligned with the organization's external and internal context and risk profile. Whilst organisations in an industry have similar risks and opportunities, this principle recognises that every organisation is unique, risk management is not proscriptive, it must be appropriate to the organisation and risk management should consider the organisation's stakeholders, context and risk profile. I've seen organisations fail implementing risk management framework when they think it is as simple of setting up a committee, developing and risk management strategy…they the ask – why couldn't I get the finance manager to attend a risk workshop? A risk management framework should be specific and appropriate to that organisation. At minimum, tailor the: "what" will we do – risk assessments, risk reporting, risk workshops, training etc "how" we will do them – risk criteria, risk areas, as a group?, documentation requirements, "when" – frequency, trigger points "who"- risk owner, risk manager, internal audit, CEO, Board When tailoring – setting up context and stakeholder engagement is critical. Context Hardest area Depth and breadth of risk management program Everything else will follow it More about Stakeholders when talking about "Risk management is transparent and inclusive" 27 Risk management should take into account human factorsThe management of risk recognizes the capabilities, perceptions and intentions of people that make every organisation different. Risk management takes human and cultural factors into account. This principle is closely linked to the principle that risk management is tailored. Risk management must recognize the capabilities, perceptions and intentions of external and internal people that can facilitate or hinder achievement of the organization's objectives. This principle is effectively about addressing the "what's in it for me?" question for stakeholders and risk owners and ensuring risk management activities are appropriate. Consider and deal with risk management myths, barriers and resistance issues. How you deal with these barriers will vary on cultural factors: Common myths (we have insurance, we are not RM experts) Common reasons for resistance (not a priority, looks "painful" Overcoming resistance – break tasks into smaller pieces, education (sooner rather than later), involvement, enforcement (policy), coercion (if not, loose job) 28 Risk management should be transparent and inclusiveAppropriate and timely involvement of stakeholders at all levels of the organization, ensures that the management of risk remains relevant and up-to-date. The management of risk must be clearly set out in job profiles/employment contracts and annual appraisals. Risk management is transparent and inclusive. Appropriate and timely involvement of stakeholders and, in particular, decision makers at all levels of the organization, ensures that risk management remains relevant and up-to-date. Involvement also allows stakeholders to be properly represented and to have their views taken into account in determining risk criteria. Internal and external stakeholders can have a major impact on the organisation. This principle recognises the need to include stakeholders throughout the risk management process including when establishing context and determining risk criteria. Stakeholders Know your stakeholders Internal (risk owners, board) vs. external (regulators, suppliers, financiers) Role – passive or active Risk appetite? Primary or Secondary Priority – Power vs Interest More power, More Interest = Manage closely; low power & interest = monitor Type of influence – financial, environmental, social (link to risk categories) Engagement approach type – Communication (briefings, reports, presentations), Consultation (survey, questionaries), Dialogue (Advisory panel, forums), Partnership (JV, alliances) 29 Risk management should be dynamic, iterative and responsive to changeExternal and internal events happen, context and knowledge change, monitoring and review take place, new risks emerge, some change, and others disappear. Must keep RM relevant and accurate so as to support decisions and strategies. Regular reviews of risk register and framework. Internal audit programme informed by corporate risk register. Risk management is dynamic, iterative and responsive to change. In an ever changing world, an organisation will need to respond to changes to the internal and external environment. As these external and internal events occur or expected to occur, as information and knowledge changes - new risks emerge, some change, and others disappear. People come and go within the organisation, processes will change, incidents will occur. Organisations respond by amending business strategy, management plans, financial plans, organisational structures policies and procedures. Similarly, an organisation's risk management framework and processes need to respond to these changes. Regular monitoring and review of risks should take place Regular monitoring of the entire risk management framework including context and processes Therefore, risk management continually senses and responds to change. 30 Risk management should be capable of continual improvement and enhancementOrganizations should develop and implement strategies to improve the maturity of their management of risk alongside all other aspects of their management system. RM maturity and improvement strategies should be included in the RM Plan. Risk management facilitates continual improvement of the organization. This principle builds on the last principle (dynamic and iterative). It encourages organisations to be flexible and continually improve their risk management maturity framework along with other elements of their organisation to build resilience and capacity to maximise opportunities. Maturity stages - Basic > Developing > Proficient > Advanced - Risk and Insurance Management Society (RIMS) - seven behavioural attributes. 1) Adoption of an ERM-based approach) ERM process management. 3) Risk appetite management. 4) Root cause discipline. 5) Uncovering risks. 6) Performance management. 7) Business resiliency and sustainability Maturity elements Culture, Processes, Experience, Application. Five attributes of enhanced risk management listed in ISO 31000 Continual improvement: Organisations should establish performance goals, performance measurements and regular reviews. As part of this performance review, a review of the risk management framework should be undertaken and refinements documented. Full accountability for risks: Designated risk owners should have appropriate authority and delegations to manage risk and be adequately trained and competent in the risk management process. Their responsibilities should be clearly defined and communicated via job descriptions. Application of risk management in all decision making: Business processes and activities (e.g. meetings) should clearly document, routine and non-routine risk management thinking. Continual communications: Organisations should have formal risk management reporting processes in place. This includes reporting of "significant risks" and risk treatments. Full integration in the organisation's governance structure: Organisations need to consider risks at both policy and practice levels. This is achieved by explicitly considering risks and the affect of uncertainty on achieving organisational objectives. 31 PDCA – a starting point for a frameworkCommunicate and Train Communications and reporting plan Training strategy RM Network Commitment and Mandate Policy Statement Risk Management Plan Assurance plan Standards Procedures/Guidelines Organise and Allocate Board RM Committee Exec RM Committee Manager, RM RM Champions Risk, Control, Risk owners Assurance providers Measure and review Control assurance RM Plan progress Governance reporting Benchmarking Performance criteria 32 AS/NZS ISO 31000:2009 Risk management framework (Clause 4)The framework in Clause 4 of AS/NZS ISO 31000:2009 is not intended to describe a management system; but rather, it is to assist the organization to integrate risk management within its overall management system. Therefore, organizations should adapt the components of the framework to their specific needs. 33 Mandate and commitment (4.2)4.3 Design of framework 4.3.1 Understanding the organization and its context 4.3.2 Establishing risk management policy 4.3.3 Accountability Integration into organizational processes 4.3.5 Resources 4.3.6 Establishing internal communication and reporting mechanisms 4.3.7 Establishing external communication and reporting mechanisms 4.4 Implementing risk management 4.4.1 Implementing the framework for managing risk 4.4.2 Implementing the risk management process 4.6 Continual improvement of the framework 4.5 Monitoring and review of the framework ISO 31000:2009 Figure 2 — Relationship between the components of the framework for managing risk 34 Understanding the organisation and its contextExternal Context Consider: Trends Key drivers Perceptions/values of key stakeholders PESTLE: (Political, Economic, Social, Technological, Legal, Environmental factors) PESTLE Analysis Political factors, are how and to what degree a government intervenes in the economy. Specifically, political factors include areas such as tax policy, labour law, environmental law, trade restrictions, tariffs, and political stability. Political factors may also include goods and services which the government wants to provide or be provided (merit goods) and those that the government does not want to be provided (demerit goods or merit bads). Furthermore, governments have great influence on the health, education, and infrastructure of a nation. Economic factors include economic growth, interest rates, exchange rates and the inflation rate. These factors have major impacts on how businesses operate and make decisions. For example, interest rates affect a firm's cost of capital and therefore to what extent a business grows and expands. Exchange rates affect the costs of exporting goods and the supply and price of imported goods in an economy Social factors include the cultural aspects and include health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety. Trends in social factors affect the demand for a company's products and how that company operates. For example, an ageing population may imply a smaller and less-willing workforce (thus increasing the cost of labour). Furthermore, companies may change various management strategies to adapt to these social trends (such as recruiting older workers). Technological factors include ecological and environmental aspects, such as R&D activity, automation, technology incentives and the rate of technological change. They can determine barriers to entry, minimum efficient production level and influence outsourcing decisions. Furthermore, technological shifts can affect costs, quality, and lead to innovation. Environmental factors include weather, climate, and climate change, which may especially affect industries such as tourism, farming, and insurance. Furthermore, growing awareness to climate change is affecting how companies operate and the products they offer--it is both creating new markets and diminishing or destroying existing ones. Legal factors include discrimination law, consumer law, antitrust law, employment law, and health and safety law. These factors can affect how a company operates, its costs, and the demand for its products. The Five Forces The threat of substitute products The existence of products outside of the realm of the common product competitors that increases the propensity of customers to switch to alternatives: Buyer propensity to substitute Relative price performance of substitutes Buyer switching costs Perceived level of product differentiation The threat of the entry of new competitors Profitable markets that yield high returns will draw firms. This results in many new entrants, which will effectively decrease profitability. Unless the entry of new firms can be blocked by incumbents, the profit rate will fall towards a competitive level (perfect competition). The existence of barriers to entry (patents, rights, etc.) Economies of product differences Brand equity Switching costs or sunk costs Capital requirements Access to distribution Customer loyalty to established brands Absolute cost advantages Learning curve advantages Expected retaliation by incumbents Government policies The intensity of competitive rivalry For most industries, the intensity of competitive rivalry is the major determinant of the competitiveness of the industry. Sustainable competitive advantage through improvisation The bargaining power of customers The bargaining power of customers is also described as the market of outputs: the ability of customers to put the firm under pressure, which also affects the customer's sensitivity to price changes. Buyer concentration to firm concentration ratio Degree of dependency upon existing channels of distribution Bargaining leverage, particularly in industries with high fixed costs Buyer volume HULEB Buyer switching costs relative to firm switching costs Buyer information availability Ability to backward integrate Availability of existing substitute products Buyer price sensitivity Differential advantage (uniqueness) of industry products RFM Analysis The bargaining power of suppliers The bargaining power of suppliers is also described as the market of inputs. Suppliers of raw materials, components, labour, and services (such as expertise) to the firm can be a source of power over the firm. Suppliers may refuse to work with the firm, or, e.g., charge excessively high prices for unique resources. Supplier switching costs relative to firm switching costs Degree of differentiation of inputs Presence of substitute inputs Supplier concentration to firm concentration ratio Employee solidarity (e.g., labour unions) 35 Understanding the organisation and its contextInternal Context Governance Structures Objectives, strategies and policies Knowledge, skills and resources Organisational culture Contractual relationships 36 Risk Management PolicyMust be simple, achievable, understandable and auditable with the clear mandate and commitment of top management aligned to the organisation's culture with the risk makers and the risk takers the risk owners. Document components Rationale and policy links Accountability and responsibility Management of conflicts of interest Measurement of RM performance Reporting processes Policy review process/cycle 37 Accountability All accountable risk owners are clearly identified and provided with authority & resources to manage risk Board accountability for framework implementation Accountability of risk owners at all levels of the organisation clearly identified Performance measurement processes in place Reporting and escalation processes clearly established 38 Integration into organisational processesThe management of risk should be part of routine organisational processes Policy development Business/strategic planning Change management Decision-making processes Risk Management Plan Organisation-wide Linked to or integrated in to other plans: strategic plans, implementation plans, operational plans etc 39 Resources expenditure on the management of risk is an investmentGood RM will make an organisation more effective, but it requires dedicated resources Resources include: People: skills, experience and competence Time and funds: to execute the process Defined processes, methods and tools Information systems Awareness, education and training programs 40 Establishing internal & external communication and reporting mechanismsOngoing awareness, education and training Framework performance reporting and outcome reviews Information management Stakeholder engagement External Regulatory reporting requirements Use reporting to build confidence Business continuity (management of disruption related risk) communication 41 Implementing risk managementImplementing the framework Ensure Appropriate timing Alignment with organisational strategy and processes Compliance with regulation Apply to organisational processes Train and educate staff Communicate and consult Implementing the risk management process Define the process for the organisation Implement at all levels (appropriate processes) Establish a monitoring process 42 ISO 31000:2009 Risk management process (Clause 5)should be an integral part of management, be embedded in culture and practices and tailored to the business processes of the organization. includes five activities: communication and consultation; establishing the context; risk assessment; risk treatment; and monitoring and review. 43 ESTABLISHING THE CONTEXTISO 31000:2009 Process Overview C O M U N I A T I ON & S L R E V W ESTABLISHING THE CONTEXT RISK ANALYSIS RISK EVALUATION RISK ASSESSMENT RISK TREATMENT RISK IDENTIFICATION 24 44 ISO 31000:2009 Risk management process in detail5.3 ESTABLISHING THE CONTEXT 5.3.2 External Context 5.3.3 Internal Context 5.3.4 Risk Management Process Context 5.3.5 Developing Risk Criteria 5.2 C O M U N I A T I O N & S L A T I O N 5.6 M O N I T R & E V W RISK IDENTIFICATION What can happen, when, where, how & why ASSESSMENT RISK ANALYSIS 5.4 R I S K Determine existing controls Determine Likelihood Determine Consequences Estimate Level of Risk RISK EVALUATION Compare against criteria. Identify & assess options. Decide on response. Establish priorities. 5.5 RISK TREATMENT 5.5.2 Selection of risk treatment options 5.5.3 Preparing and implementing risk treatment plans ISO 31000: Risk management process in detail 45 Risk Management - Risk Assessment TechniquesISO/IEC 31010:2009 Risk Management - Risk Assessment Techniques Risk assessment attempts to answer the following fundamental questions: • what can happen and why (by risk identification)? • what is the likelihood of their future occurrence? what are the consequences? • are there any factors that reduce the likelihood of the risk or that mitigate the consequence of the risk? 46 Risk Management - Risk Assessment TechniquesISO/IEC 31010:2009 Risk Management - Risk Assessment Techniques In particular, those carrying out risk assessments should be clear about • the context and objectives of the organization, • the extent and type of risks that are tolerable, and how unacceptable risks are to be treated, • how risk assessment integrates into organizational processes, • methods and techniques to be used for risk assessment, and their contribution to the risk management process, • accountability, responsibility and authority for performing risk assessment, • resources available to carry out risk assessment, • how the risk assessment will be reported and reviewed. 47 ISO 31000:2009 Annex A (Informative) Attributes of enhanced risk managementA pronounced emphasis on continuous improvement in risk management through the setting of organizational performance goals, measurement, review and the subsequent modification of processes, systems, resources and capability/skills. Comprehensive, fully defined and fully accepted accountability for risks, controls and treatment tasks. Named individuals fully accept, are appropriately skilled and have adequate resources to check controls, monitor risks, improve controls and communicate effectively about risks and their management to interested parties. 48 ISO 31000:2009 Annex A (Informative) Attributes of enhanced risk managementAll decision making within the organization, whatever the level of importance and significance, involves the explicit consideration of risks and the application of the risk management process to some appropriate degree. Continual communications and highly visible, comprehensive and frequent reporting of risk management performance to all "interested parties" as part of a governance process. 49 ISO 31000:2009 Annex A (Informative) Attributes of enhanced risk managementRisk management is always viewed as a core organizational process where risks are considered in terms of sources of uncertainty that can be treated to maximize the chance of gain while minimizing the chance of loss. Critically, effective risk management is regarded by senior managers as essential for the achievement of the organization's objectives. The organization's governance structure and process are founded on the risk management process. 50 ISO 31000:2009 – Reducing the Risk in Risk ManagementAvoids organisations re-inventing the wheel Allows all to benefit from proven best practice Provides a universal benchmark Reduces barriers to trade Advises exactly what you need to do and how you need to do it – no wasted effort and no false starts Scalable – works for all sizes of organisation Risk management = making optimal decisions in the face of uncertainty 51 And Finally!! Managing risk is about creating value out of uncertaintyISO 31000:2009 is the natural successor to AS/NZS 4360:2004 Hopefully it will influence a revision of COSO It will fit 'ERM' requirements, but will also allow silo/project risk management Following ISO 31000:2009 will provide a low cost, high chance of success approach to ERM ISO 31000:2009 will add value and reduce risk in risk management Managing risk is about creating value out of uncertainty 52 YOU DO NOT HAVE TO MANAGE RISK!! SURVIVAL IS NOT COMPULSORY 53 The greatest risk of allis to take no risk at all! 54 The Journey Continues A race A journey ………. In pursuit of performance ISO 31000, ISO/IEC and ISO Guide 73 provide generic guidance on how to embrace the management of risk in order to maximise the opportunities and minimise the threats to the achievement of your objectives. Building Value Structure Direction Risks Opportunities M O N I T R & E V W C U A S L 1. Strategic Ct 2. Identify Threats 7. Manage the Risk 3. Analyze 4. Assess 5. Assess/ Processes Culture Communication

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