



Executive Leadership and Management

Implementing A Risk Management Framework

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Clark Corporate Consulting Pty Ltd

Room

Day, Date Saturday 26 February 2011

Time 11.00am – 12.00 pm

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Session Outline

- Presenter
- Risk Management
- AS/NZS 4360 & AS/NZS ISO 31000
- Enterprise Risk Management
- Organisational Risk Assessment
- Business Continuity, Disaster Recovery & Crisis Management

Presenter

- Auditor - Epilepsy Foundation of Victoria Inc. & Chronic Illness Alliance Inc.
- Company Secretary – Kalkadoon Community Pty Ltd
- Company Secretary – Australian Association For Cognitive and Behaviour Therapy Ltd
- Risk Management – Vision Australia
- Risk Management – TEAMHealth
- Risk Management – Melbourne College Of Divinity
- Member – Department Of Immigration & Citizenship Audit Committee
- Board Member – Ostara & Druids Friendly Society



Risk Management

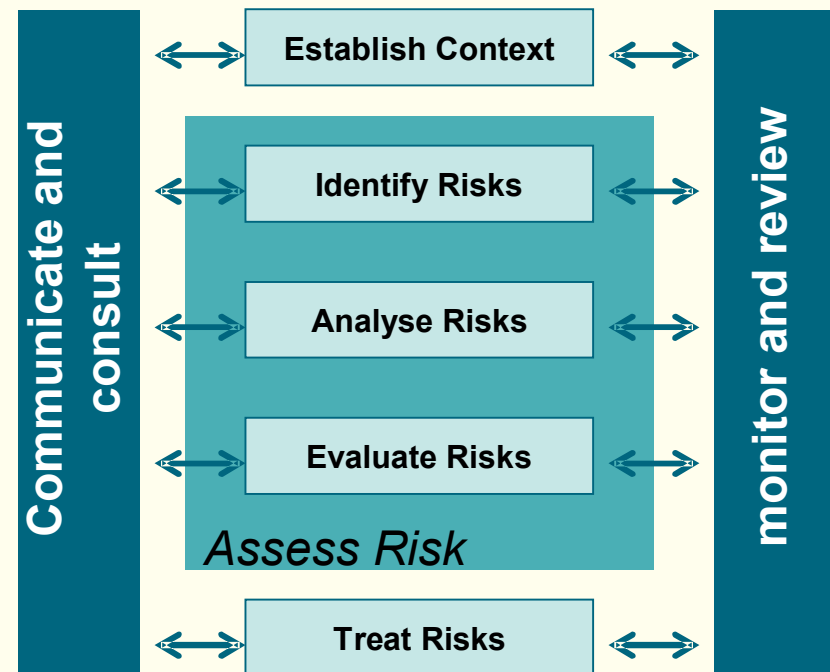
- An Essential Element Of Good Governance
- Provides Comfort To Funding Bodies, Donors, Volunteers And Staff
- Provides Framework For Good Planning
- Allows Prioritisation Of Key Tasks
- Links To Quality Frameworks
- Increasingly Required For Compliance

AS/NZS 4360:2004

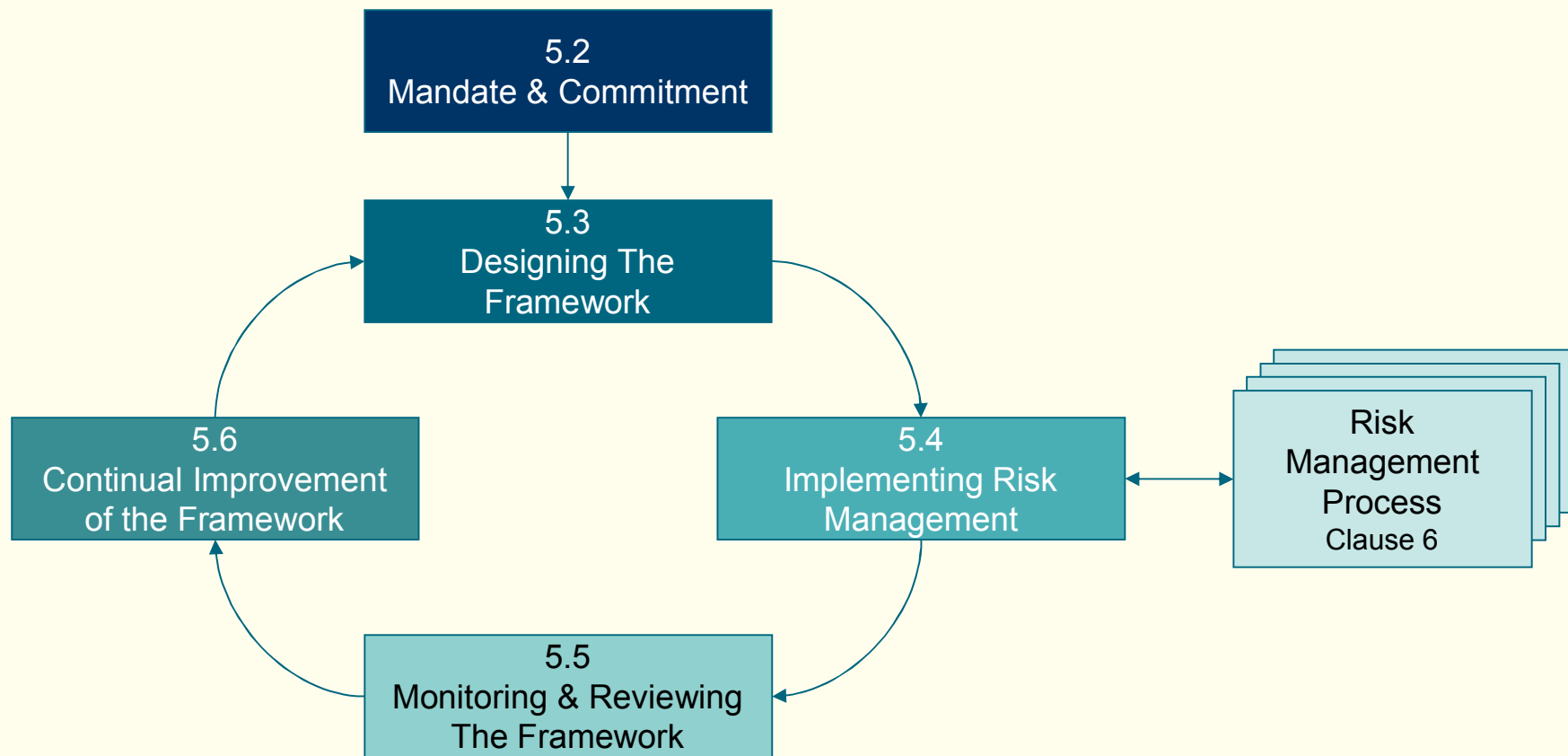
Growing recognition of the importance of an holistic and more importantly simple risk management process resulted in the development of the generic standard for managing risks, AS/NZS 4360.

This diagram displays the key steps in undertaking a risk management exercise.

This part of the standard has been incorporated into a new Australian & International standard.

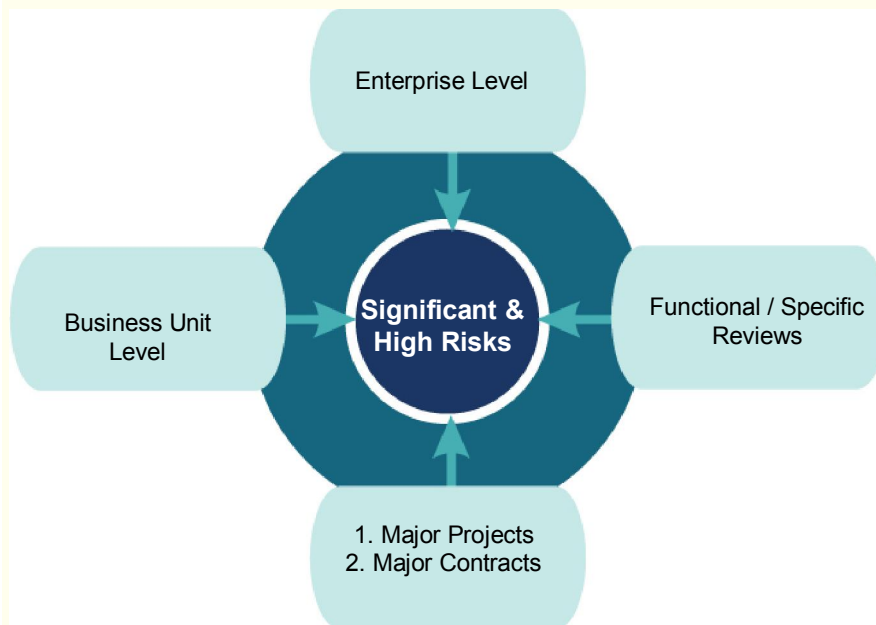


AS/NZS ISO 31000 *Risk Management*



Enterprise Risk Management (ERM)

ERM Framework Context



Example of the defined levels of risk context

- Enterprise Level (defined cycle) (top 10 to 20 high & significant risks)
- Business Unit (defined cycle)
- Functional/Specific (as required)
 - OHS
 - IT
 - Security
 - Fundraising
- Major Projects/Contracts (as required)

ERM levels
of risk
assessment

Definition

“Risk - effect of uncertainty on objectives”

NOTE 1 An effect may be positive, negative, or a deviation from the expected.

NOTE 2 An objective may be financial, related to health and safety, or defined in other terms.

NOTE 3 Risk is often described by an event, a change in circumstances, a consequence, or a combination of these and how they may affect the achievement of objectives.

Risk can be expressed in terms of a combination of the consequences of an event or a change in circumstances, and their likelihood.

Definition

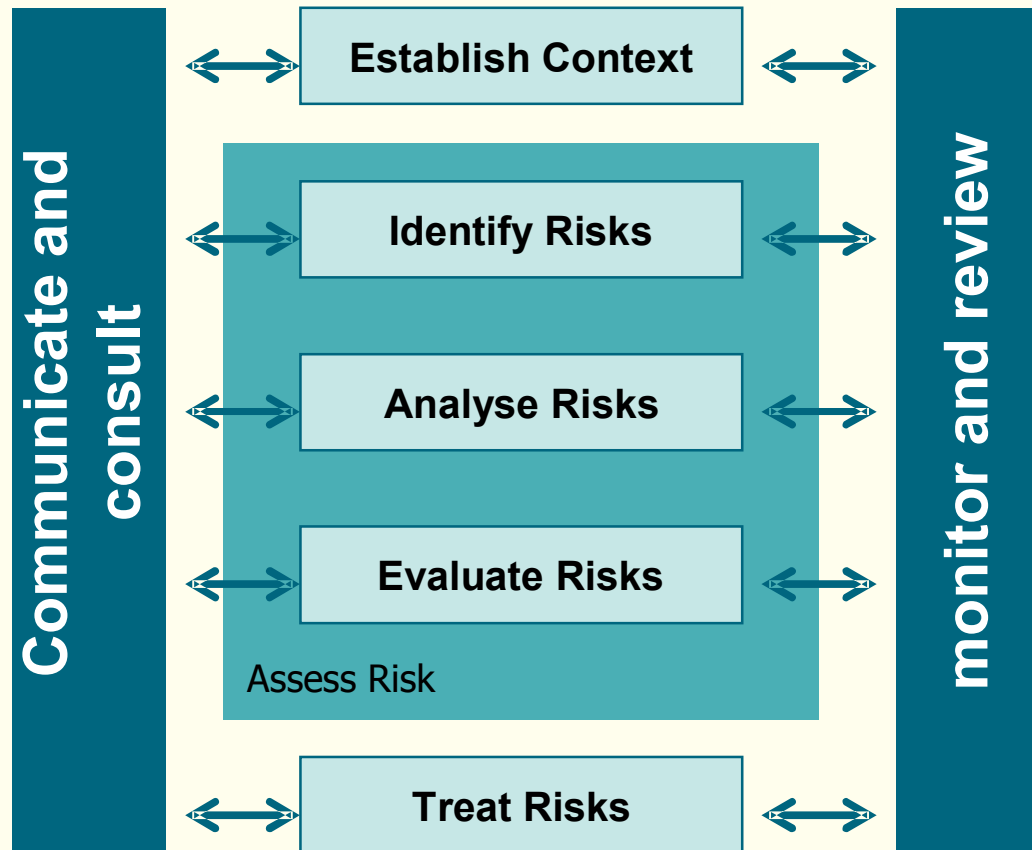
“Hazard - potential source of harm

NOTE Hazard can be a source of risk”

Key Concepts



Process

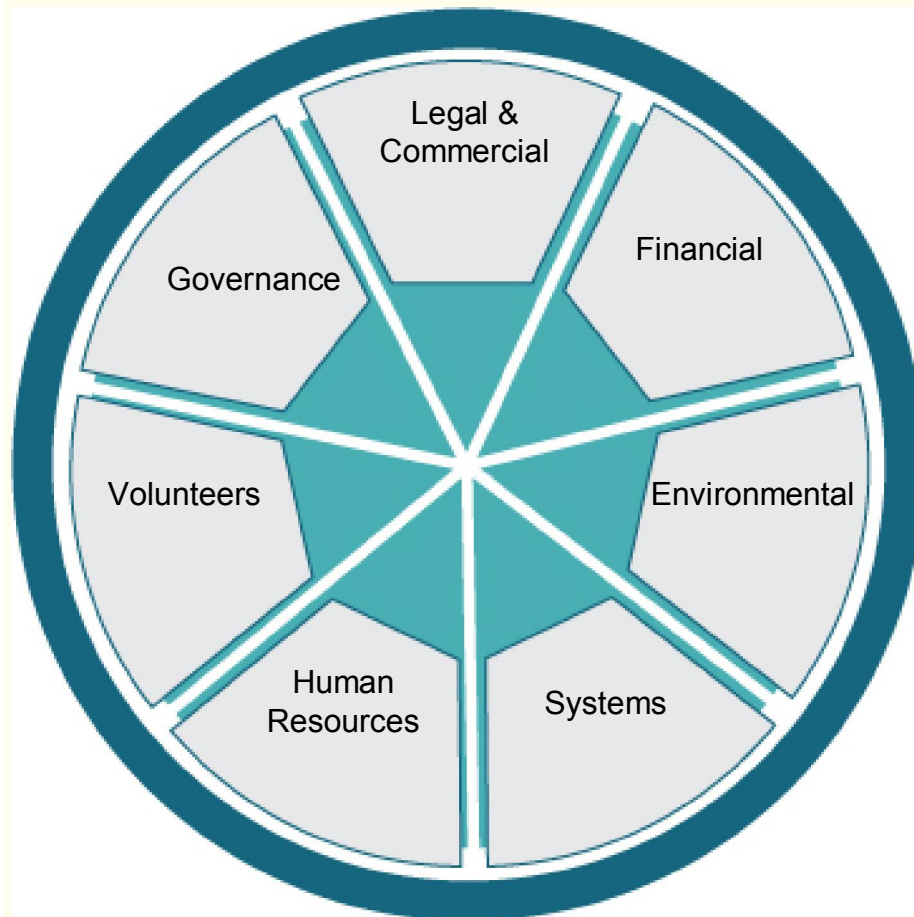


Process for
Managing
Risks

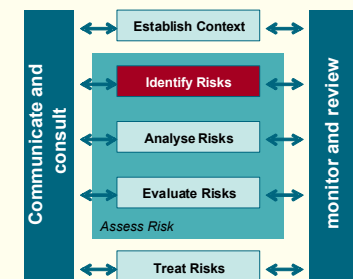
Establish Context

- What Are Our Objectives?
- Strategic Plan/Business Plans?
- CEO PD?

Risk Identification



- Initial presentation/ meeting to set the scene
- Build the Risk Wheel
- Data collection



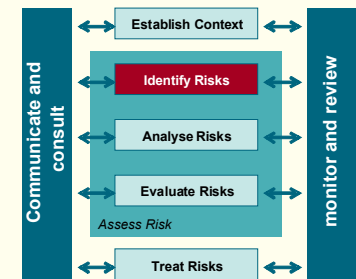
Risk Identification

Brainstorm the risk issues. Develop the risk wheel for each context categories/ risk issues

ISSUE

Compliance

The risk of non compliance with environmental laws / regulations

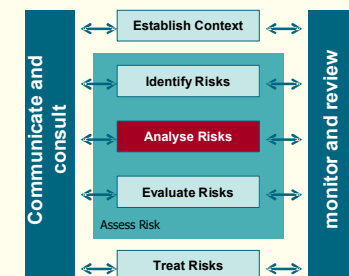


Risk Analysis

The need to consider two key attributes:

- **Consequence**
- **Likelihood**

Analysis- Key Attributes



Risk Analysis

CONSEQUENCE		LIKELIHOOD				
		Rare E	Unlikely D	Possible C	Likely B	Almost Certain A
Severe	V	H	H	H	VH	VH
Major	IV	M	M	H	H	VH
Moderate	III	M	M	H	H	H
Minor	II	L	L	M	M	H
Negligible	I	L	L	L	M	M

Risk
Quantification

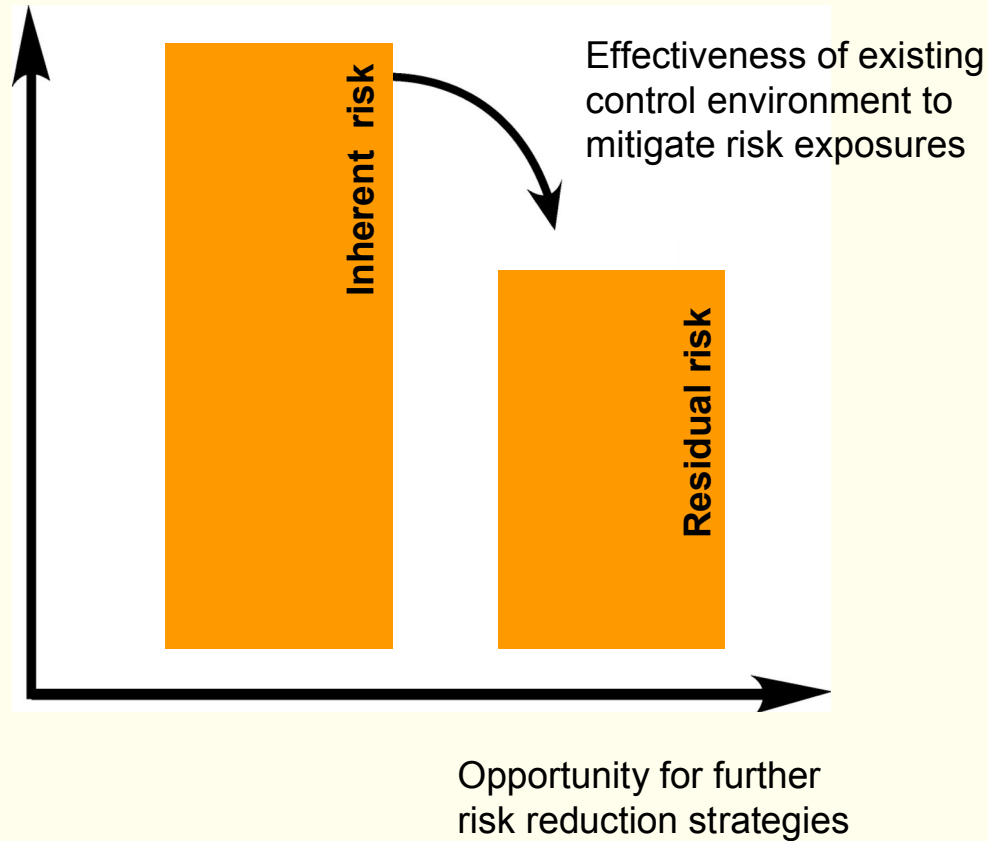
Risk Analysis

Determine Level of inherent risk

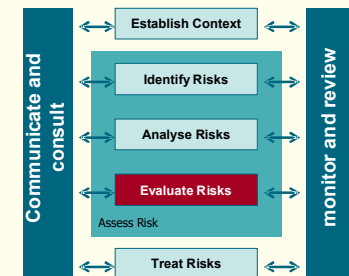
CONSEQUENCE		LIKELIHOOD				
		Rare E	Unlikely D	Possible C	Likely B	Almost Certain A
Severe	5	M	H	H	VH	VH
Major	4	M	M	H	H	VH
Moderate	3	L	M	H	H	H
Minor	2	L	L	M	M	H
Negligible	1	L	L	M	M	H

Score Descriptor	
Likelihood	
A. Almost Certain	←
B. Likely	
C. Possible	
D. Unlikely	
E. Rare	
Consequence	
5. Severe	←
4. Major	
3. Moderate	
2. Minor	
1. Negligible	

Risk Evaluation



Effectiveness of Controls



Risk Evaluation

Determine Level of residual risk

CONSEQUENCE		LIKELIHOOD				
		Rare E	Unlikely D	Possible C	Likely B	Almost Certain A
Severe	5	M	H	H	VH	VH
Major	4	M	M	H	H	VH
Moderate	3	L	M	H	H	H
Minor	2	L	L	M	M	H
Negligible	1	L	L	M	M	H

Score Descriptor
Likelihood
A. Almost Certain
B. Likely
C. Possible
D. Unlikely
E. Rare
Consequence
5. Severe
4. Major
3. Moderate
2. Minor
1. Negligible

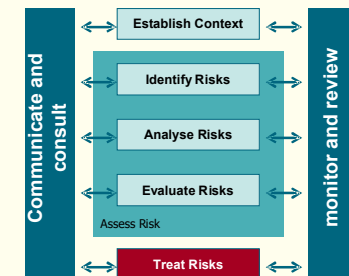
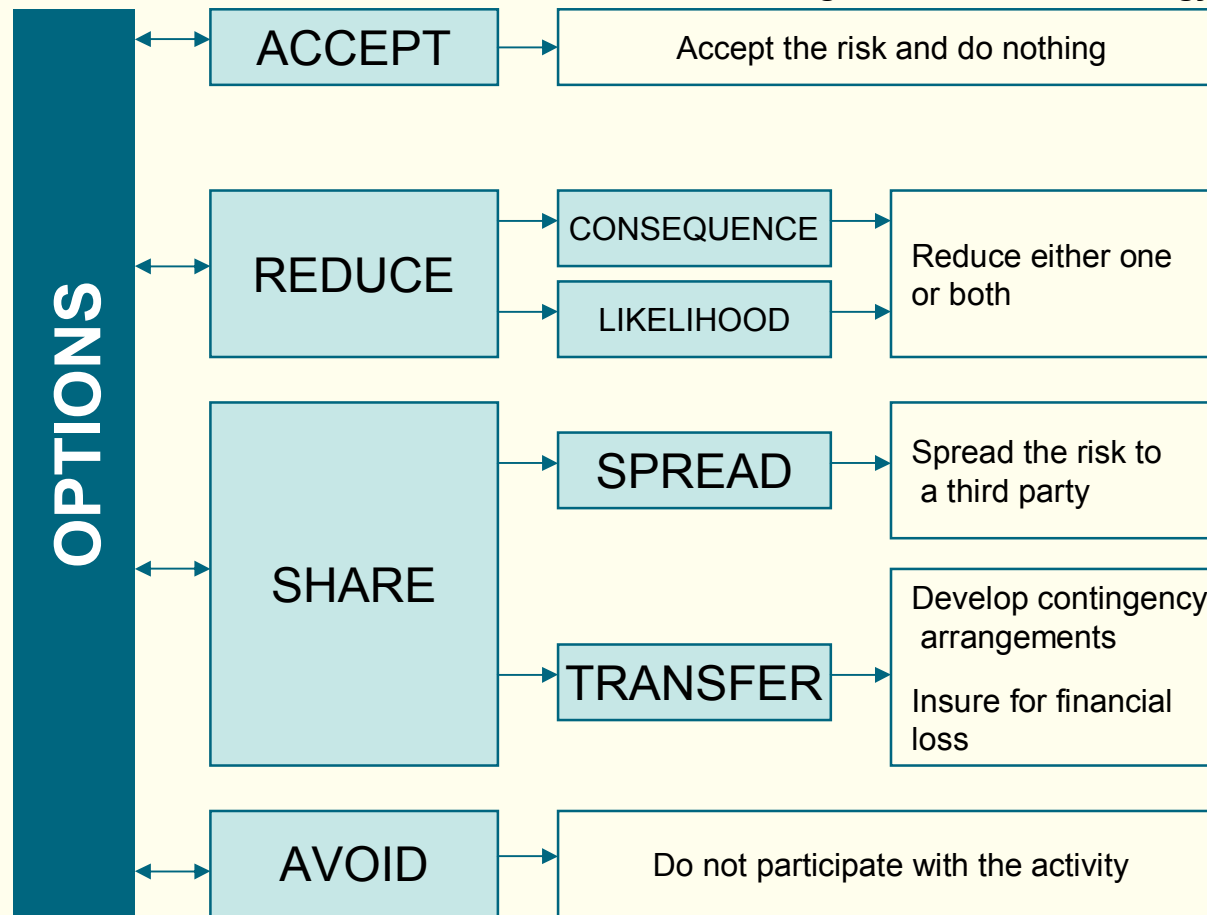


Risk Appetite

Risk Appetite – “Amount and type of risk (3.1) an organization is prepared to pursue or take” (ISO 31000)

Risk Treatment

Setting Treatment Risk Strategy



Risk Treatment

Treating risk will usually apply to situations where risks are beyond risk appetite

- Accept
- Avoid
- Reduce
- Spread
- Transfer

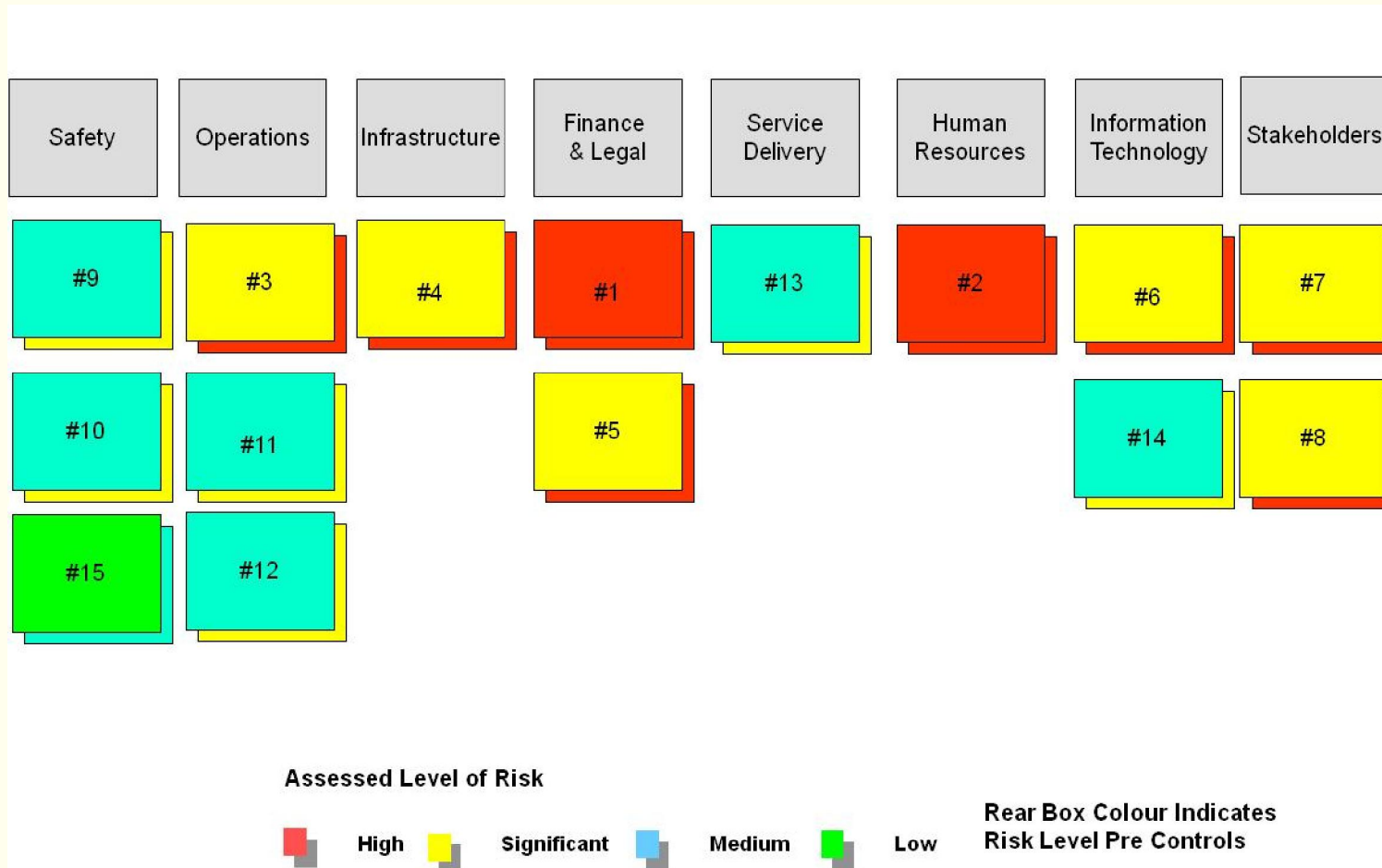
Risk Action Plan

- Key Is Risk Owner
- No Shared Risks
- Risk Owner Responsible For The Risk, Not Necessarily The Work
- Risk Owner Responsible For The Development Of Risk Action Plan
- Ongoing Refinement Of:
 - Risk Score
 - Risk Detail
 - Risk Controls
 - Risk Strategies

Risk Action Plan

- The Risk Action Plan Documents How Risk Treatment Options Are To Be Implemented
- The Action Plan Needs to Include:
 - Responsibilities
 - Schedules
 - Expected Outcomes
 - Budgeting
 - Performance Measures
 - Review Process

Risk Profile

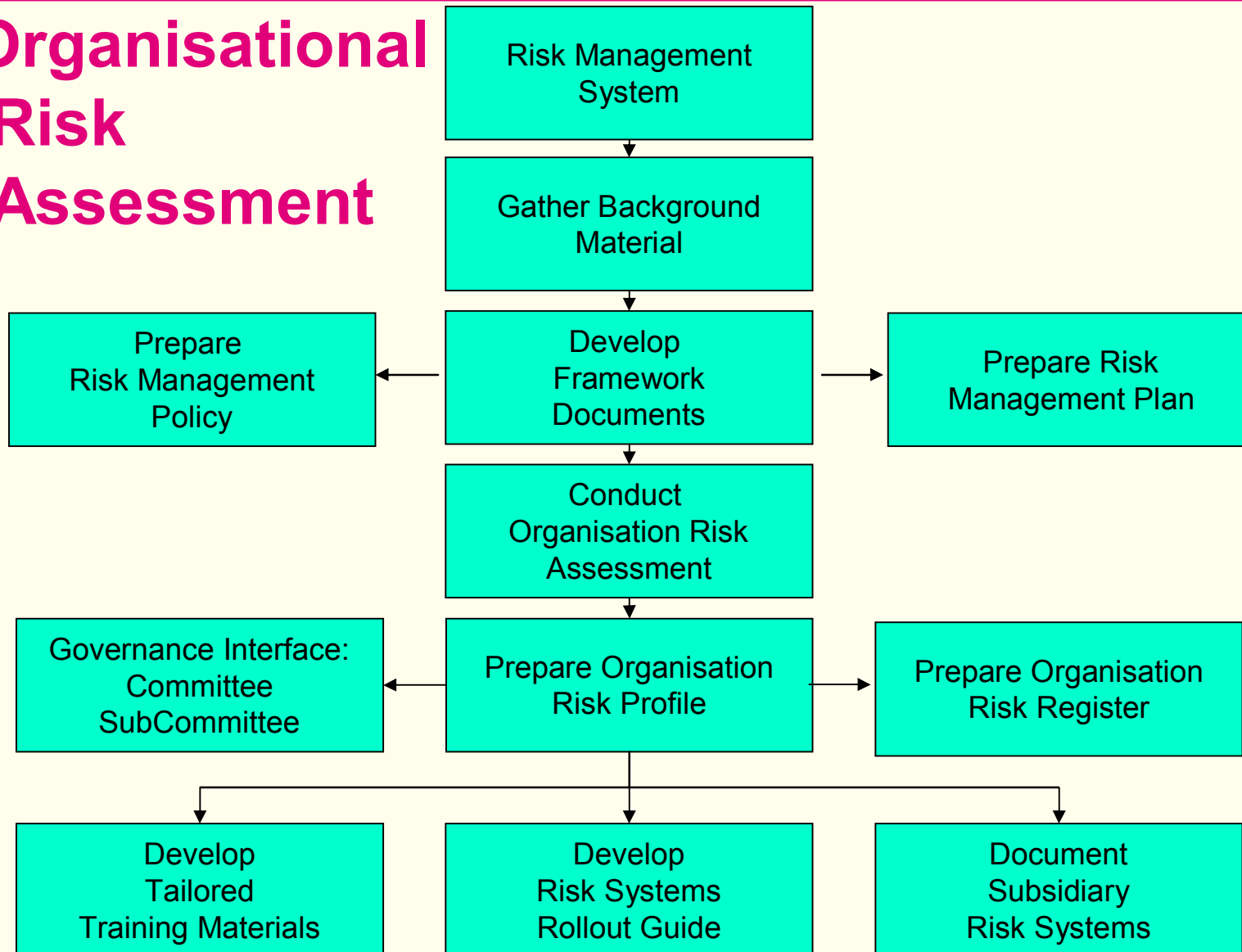


Traffic light systems are effective

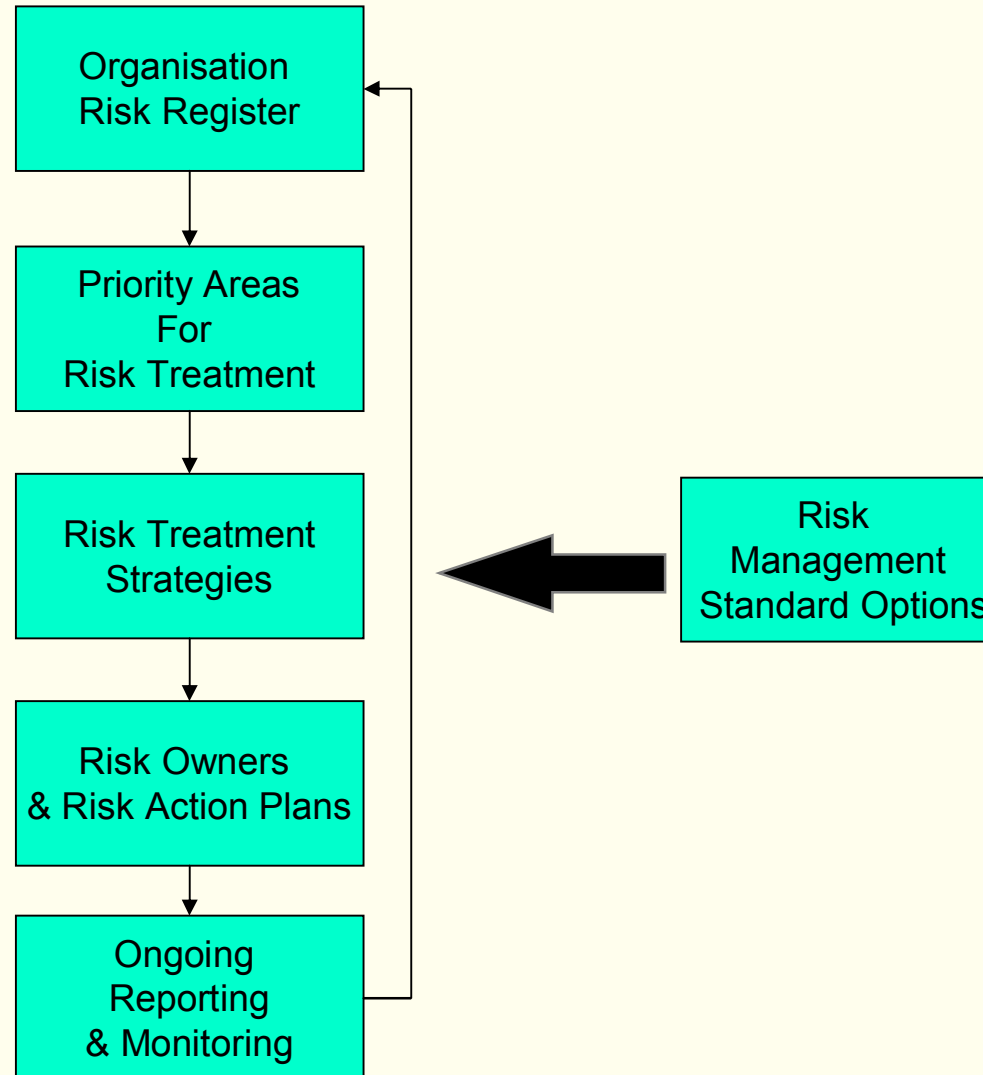
Risk Profile

RISK ISSUE	POTENTIAL RISK FACTORS (CAUSES)	POTENTIAL EFFECT(S) IMPACT(S)	CONTROLS AND FUTURE RISK STRATEGIES
<p>FMIS Implementation</p> <p><i>Failure to effectively implement the Oracle Financial System</i></p> <p>C 5 L 3 R H</p>	<ul style="list-style-type: none"> • Insufficient current resources and capability • Inadequate project management support • Limited technical skills – either OHIS, Oracle • Insufficient hardware functionality provided by OHIS 	<ul style="list-style-type: none"> • Inefficient system • Project budget overrun • Accounts qualified • Inability to report on and manage financial performance • Unable to comply with required statutory reporting and compliance requirements. 	<p><u>CONTROLS</u></p> <ul style="list-style-type: none"> • IS Governance Committee oversight • FMIS Steering Committee reporting • Oracle / OHIS technical working group <p><u>STRATEGIES</u></p> <ul style="list-style-type: none"> • <i>Implementation Plan/ Scope -end March</i> • <i>Detailed Implementation Project Plan-end April</i> <p>RISK OWNER: Dennis Clark</p>

Organisational Risk Assessment

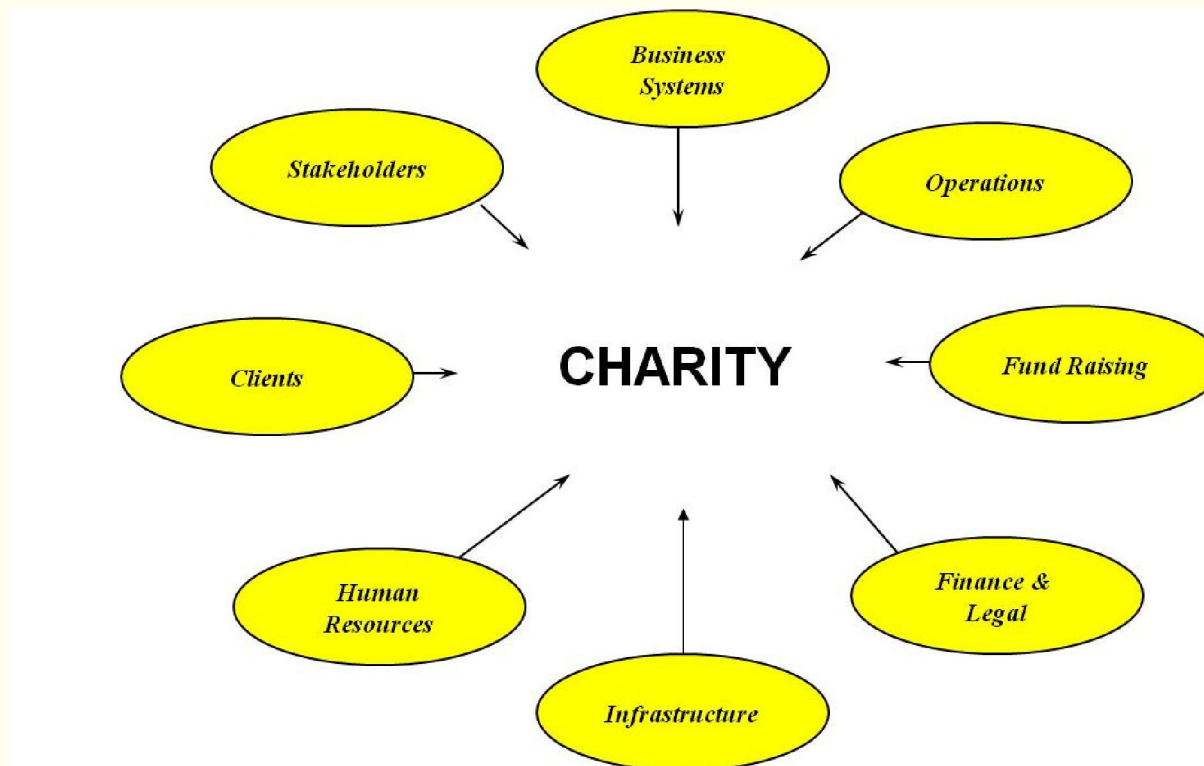


Organisational Risk Assessment



Organisational Risk Profile

- 10 – 20 High Level Risks Linked To Organisational Objectives
- Charities Risk Wheel



Risk Issues For Charities

- Volunteers & Donors
- Financial Environment
- OHSE
- Government Policy
- Skills Shortage
- Compliance
- Society Priorities
- Image & Positioning
- Marketing
- Taxes
- Knowledge Management
- Health & Ageing
- Social Media
- Investments

Business Continuity, Disaster Recovery & Crisis Management

- Topical In Light Of Drought, Flood, Cyclone, Volcanos, Locusts, Pandemics, Air Disasters
- Interlinked Concepts
- Business Continuity Planning To Reduce Risk Of Business Disruption
- Disaster Recovery Planning To Overcome Significant Disruptive Event
- Crisis Management Plan To Cope With Onset And Duration Of Significant Disruptive Event

Contact Points & Research

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